

OVERSEAS NEWS

S. African raid on Angola base 'kills hundreds'

BY QUENTIN PEEL IN JOHANNESBURG

MORE THAN 200 nationalist guerrillas and 16 South African soldiers have been killed in a major South African raid on a guerrilla base in Angola, Mr. P. W. Botha, the South African Prime Minister, announced yesterday.

He said the ground attack was carried out across the border of Namibia (South West Africa) on a new headquarters of the South West African People's Organisation (SWAPO), involved in a protracted guerrilla war against South African forces in the disputed territory.

The South African casualty figure is believed to be the highest to date for a single operation in the border war, but Mr. Botha said that with more than 200 guerrillas killed, and more than 100 tons of equipment seized, it had been a successful operation.

Earlier, Radio Luanda reported that three South African Mirage fighter-bombers had been shot down in a raid on a Namibian refugee camp.

The South African defence force dismissed the claim as "obviously nothing but propaganda."

Mr. Botha said the base had been well prepared and spread over a wide area and the initial attack had lasted six hours. Both black and white South African soldiers were killed.

"They made the greatest sacrifice in order to safeguard southern Africa from communism and terrorism," he told the South African Parliament. "We will not tolerate that these terrorists operate from bases outside our borders against innocent civilians whose safety is our responsibility."

Mr. Botha said that some SWAPO bases were operated jointly with Angolan soldiers, who could therefore be killed in similar operations. He insisted that in spite of this, South Africa wished to live in peace and harmony with its neighbours.

The latest raid followed a sharp increase in casualties in the guerrilla war, running at some eight times the level of last year.

Pakistan to receive \$980m in aid cash

By David White in Paris

WESTERN donor countries and international agencies yesterday promised \$980m in aid to Pakistan for the 12-month period starting in July, just short of the \$1.05bn the Pakistani Government was asking for, and more than had been generally expected.

The U.S., after withholding aid because of objections to Pakistan's nuclear policy, pledged \$50m, and offered to take part in a rescheduling of the country's foreign debt. In addition, donors promised almost \$100m to assist Afghan refugees in Pakistan. Of this, \$17m is to come from the U.S.

The pledges represent a sharp increase from the previous level of about \$700m. By far the largest contribution, \$144m, came from Japan.

At a meeting held under the auspices of the World Bank in Paris, donors agreed that economic adjustment required a net increase in aid over the next few years and that they should consider rescheduling Pakistan's foreign debt service obligations.

A preliminary meeting has been set for June 30 in Paris to discuss the amount concerned and the modalities of rescheduling. The U.S. indicated it was prepared in principle to take part in a multilateral programme for adjusting the country's official debt "under certain conditions."

The head of the Pakistan delegation, Mr. Aftab Ahmad Khan, secretary of the Government's Economic Affairs Division, said he hoped the rescheduling question would be settled in three to four months.

India to meet Iran's urgent food needs

By K. K. Sharma in New Delhi

THE INDIAN government yesterday agreed to ship food and industrial equipment that Iran needs urgently to beat the U.S. and EEC sanctions.

India is also seeking to move into areas left vacant by the U.S. and European countries, especially in setting up industry. Eventually the trade deals could be worth hundreds of millions of dollars.

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The Indian Government is playing down the agreements so as not to offend the U.S. and Europe. But they will clearly enable India to bridge a trade gap which has widened significantly with the rise in imported oil prices.

The two countries have also agreed that Indian companies could be involved in the management of plants in Iran, in setting up industrial estates, in major construction contracts and in improving Iran's cargo shipping capacity and helping the country increase food production.

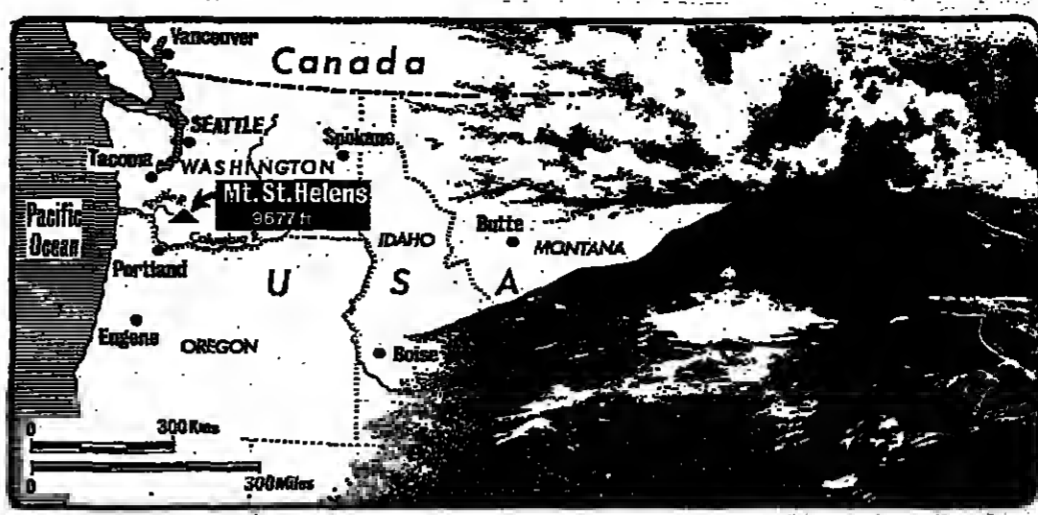
Iran has also agreed to supply oil to India on long-term contracts.

Andrew Whitley adds from Tehran: Fears of further violence here after Thursday's bloody clashes between rival Muslim groups heightened yesterday when the leader of the mass Friday prayers in Tehran accused the Mujaheddin-e-Khalq radicals of being "counter-revolutionaries."

Two people are now known to have died and some 400 injured during pitched battles between the Mujaheddin and fundamentalist opponents in the course of a large rally by the former guerrilla organisation.

Jurek Martin, U.S. Editor, reports on the volcano that won't lie still

Mount St. Helens blows its stack again



PORTLAND, OREGON—Mount St. Helens, 50 miles north-east of here, erupted for the third time in a month on Thursday night with a blast "like an atomic bomb" heard for as far away as British Columbia. So far no lives are reported lost. A column

of steam, rock and ash blew almost 10 miles high and for the first time highly-abrasive volcanic "fallout" fell on a major city—Portland—covering everything with a quarter-inch layer of ash. The city's 750,000 people have been

urged to stay indoors or, if they must venture into streets made dangerously slippery by rain, to wear surgical masks. Clean-up costs could be enormous and damage to cars and sensitive equipment tremendous.

lands of south central Washington, and, as the ash cloud drifted east on the prevailing winds, northern Idaho and Montana.

The State of Washington, the Federal Government and private estimates in the region are putting the damage in the \$2.5-2.7bn range. Though it is freely admitted by all that such projections are necessarily rough, the Carter Administration, working with local Congressmen, is prepared to advance Federal emergency assistance of between \$850-900m in the current fiscal year, with more to come later.

But, all that initially appeared lost may not be so.

Several hundreds million dollars worth of prime timber seemed lost by the initial blast, which laid big trees in symmetrical matchstick-like rows. But a good portion of this may yet be recoverable. Though the demand for construction timber, the pulp and paper market has remained strong. Even if much of the flattened timber cannot be reclaimed for construction, it may yet make good newsprint and paper bags. There is some concern that the volcanic ash, which is extremely abrasive, will blunt chain saws more rapidly, thus raising industry costs. But this, like so much else, remains to be seen.

Central Washington's agricultural belt, which got the worst of the ashfall, produces hops, fruit and vegetables, and further east, wheat. It looks as though the wheat fields have not been severely damaged. The big St. Michelle vineyards got away virtually scot free so far. There is a lot of earnest debate at present over whether or not the ash will turn out to be a potent longer term fertiliser.

By the same token, the very eruption may yet, over time, increase tourism, another local money earner, to the Mt. St. Helens region. There is already talk both in the Pacific north-west and in Washington, D.C.,

about turning the immediate area into a national monument or park. Local hotels are sprouting signs along the lines of "come and see how we survived the volcano" and attracting some custom to boot.

Of more potentially serious impact is the damage to waterways. The Toulle river, for example, is full of silt and debris that it is presently no longer a source of drinking water; several fish farms were obliterated and the celebrated Pacific salmon have lost a favourite spawning ground.

The port of Portland, near the mouth of the Columbia river, is struggling. The latest eruption may have compounded its problems. The old, navigable canal was 600 ft wide and 40 ft deep; round the clock dredging had by this week restored depth to 33 ft. But the channel was still only 100 ft wide. The attendant drydock, one of the biggest on the west coast, has temporarily been put out of business.

The overall economic picture, therefore, tends to be as grey as the volcanic ash itself. Instant benefit has accrued to some entrepreneurs. The manufacturers of car air filters, for example, or of the hospital-like face masks that are much in evidence, or those who believe that volcanic ash makes marvellous pottery, glass, but the cost of repair and maintenance to state and local government has soared astronomically: seventy Washington police patrol cars, a new fleet ground to a near-instant halt, their engines totally clogged.

Ironically in an era when government of all stripes is held in such ill repute, sections have unwittingly turned to the volcano for a favourite whipping-boy, the federal bureaucracy for assistance.

French incomes suffer

BY ROBERT MAUTHNER IN PARIS

LIVING STANDARDS fell in France in 1979 for the first time for many years, according to the annual national accounts report published by the National Institute of Statistics (INSEE). The findings conflict with claims made by M. Raymond Barre, the Prime Minister, that disposable incomes, including social security benefits, were still rising last year.

The INSEE experts maintain that the fall in purchasing power ranged from 1.3 per cent for a worker with two children to 2.3 per cent for a similar senior manager. Bachelor executives' standards of living fell by 2.6 per cent.

The report suggests that French GDP will rise by 2.7 per cent in 1980 and by 2.3 per

cent next year, compared with 3.4 per cent in 1979. Consumer prices are forecast to rise by about 13 per cent at an average annual rate this year, compared with 10.8 per cent in 1979, but inflation should drop back to around 10 per cent in 1981 as the result of the slack economic situation.

Terry Dadsforth adds: The tension between the Government and the radical wing of the French trade union movement increased yesterday when M. Barre threatened sanctions against power workers whose strike drastically cut electricity supplies on Thursday. M. Georges Seguy, head of the Communist-led CGT union, said it would not be intimidated by threats, and blamed the authorities for aggravating the situation.

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Two people are now known to have died and some 400 injured during pitched battles between the Mujaheddin and fundamentalist opponents in the course of a large rally by the former guerrilla organisation.

U.S. textile union wins court recognition bid

BY IAN HARGREAVES IN NEW YORK

A POSSIBLY decisive ruling in favour of trade union rights in the U.S. has been made by a Federal Appeals Court in the long-running case celebre battle between the Clothing Workers Union and J. P. Stevens, a large textile firm.

Although the court's ruling is one of dozens to have littered the 20-year battle between the company and the clothing workers, it was made amid indications that Stevens has started seriously to bargain with the Amalgamated Clothing and Textile Workers Union about negotiating rights at some of its plants.

The court ruling, which told Stevens to obey a 1978 National Labour Relations Board order to bargain in good faith with the union, is also the most senior court decision to go against the company.

The Stevens versus the clothing workers issue has for long been considered by the U.S.

Labour movement a critical struggle in attempts to unionise the southern States, where in many cases trade unions represent fewer than 10 per cent of total State workforces.

Mr. Whitney Stevens, chairman of Stevens, which has its headquarters in New York, but whose 80 or so plants are mainly located in the south, told the company's annual meeting in March that talks with the union had taken place.

He asserted Stevens' intention to resist the union "by every legal and proper means," but it is thought that the company may be ready to grant the union its first bargaining rights for at least some of the 6,000 workers (15 per cent of the Stevens manual workforce) which the union now claims to have the right to represent.

The fight between the company and the unions has led to a boycott of all Stevens products

Fish war looms between U.S. and Canada

By Victor Mackie in Ottawa

CANADIAN and U.S. authorities fear the possible renewal of a full-scale fish war between the two countries following Canada's expansion of its fishing quotas. The U.S. State Department was informed on Thursday of Canada's intention to increase its ground fish catch limits on George's Bank.

The Americans were well aware of Canada's frustration over the Senate's delay in ratifying agreements allocating fishing rights. Efforts were being made yesterday to find a compromise that would be acceptable both to the Senate and to the Canadians. Mr. Mark MacGuigan, the Canadian External Affairs Minister, said that Canada has no intention of renegotiating the agreements signed by both Governments 14 months ago.

Ford to spend \$365m on Mexican engine plant

BY OUR NEW YORK STAFF

FORD is to spend \$365m on building an engine plant in Mexico in spite of criticism from its trade unions that it should be investing at home in a time of near total motor industrial unemployment.

The second largest U.S. motor company, which is struggling on several fronts at present, also learned that its top motor production executive, Mr. Marvin Runyon, is resigning, amid rumours that he has been hired by Nissan of Japan to spearhead that company's plans to build trucks in the U.S.

The Mexican plant will be Ford's fourth unit in that country and will supply four cylinder engines for Ford's smaller cars in North and Central America from 1984.

Ford says it needs to build the plant in Mexico in order to increase its penetration of the growing Mexican market, and that although it will be providing 1,000 jobs in Mexico, exports

from the U.S. of other components will create 900 jobs in the U.S. also.

Ford needs to build up its supplies of four cylinder engines rapidly to meet growing demand for smaller vehicles.

The departure of Mr. Runyon, at the age of 55, is surrounded with some mystery. There are strong rumours in Detroit that he intends to take over as head of Nissan in the U.S. before that company announces the location of its planned trucks production facility. There is also speculation that having hired a man of Mr. Runyon's rank, Nissan may be thinking of something more than building trucks.

One piece of better news for Ford yesterday came in the release of figures for car sales in the first 10 days of June. Ford's sales, which were running more than 40 per cent lower in May, were down only 19 per cent in early June, compared with the same period last year.

Summit security stir on Venetian canals

BY RUPERT CORNWELL IN ROME

MERCIFULLY there are some things in life that even a French President cannot upstage. One of them is the city of Venice. The ritual comings and goings of M. Giscard d'Estaing and the other eight EEC Heads of Government, the lavish Italian security spectacle and the agitation of the 850 journalists in attendance have dwindled into comparative anonymity against the backdrop of the world's most theatrical and improbable city.

A sterner test will come in eight days' time, when the summit of the world's seven leading industrial nations provides part two of Venice's return to the centre of the international stage after many centuries of absence.

But one expects, and anyway plausibly hopes, that even the arrival of President Carter, half the CIA and the White House Press Corps will meet the same humbling fate experienced by their European counterparts this week.

The White House, it is reliably reported here, has grudgingly accepted that the traditional Presidential motorcade is not on in Venice, for all the wizardries of American technology. Nonetheless the U.S. security apparatus has been treating this week's goings on as a dry run

for the commander-in-chief's descent on the lagoon next week. Already what is termed a "support vessel," bristling with ultra-modern communications in place in the Adriatic beyond the Lido island, and a dozen U.S. Navy launches add to the congestion of Venice's canals.

M. Giscard d'Estaing, of course, will do his best to complicate proceedings. After consenting to share the Villa Cipriani Hotel on the Giudecca

with Mrs. Thatcher for this week's summit, he is retreating to the island of Torcello, lost in the Lagoon's summer haze five miles to the North for the second one.

This means that he, alone of the heads of state, will be ferried in by helicopter, in contrast to the modest launches used by the others.

But if this week is anything to go by, life in Venice will go on pretty much as usual. True, the hoteliers are grumbling about having their bookings in the high summer season thrown into partial chaos: "why on earth couldn't this jamboree have been held in winter when we're half empty," one said.

The security is in the best Italian tradition: rather less than meets the eye. Police and soldiers with rifles primed are everywhere. At a conservative estimate at least five of Italy's various security forces are on manoeuvres. Red-suited frogmen make a display of searching every morning for mines off the island of San Giorgio Maggiore where the deliberations are taking place. The St. Marks pigeons are having a hard time of it with all the helicopters over head.

These may be the most important international talks held in the city for 800 years



since Doge Sebastiano Ziani negotiated the settlement between Frederick Barbarossa and Pope Alexander III (a medieval equivalent of the British budget row) — but Venice is reacting very calmly. "After all, when we've had 300,000 people here for a single day to see the regatta, a couple of thousand journalists and officials are not going to cause much bother," said a city official.

The biggest summit stir has been aroused by Mrs. Thatcher, who as a woman Prime Minister has a profoundly disconcerting effect on the party patriarchal society of Italy. The "Doge" is the latest of the many epithets she has earned in Italy. But even the female Doge travels by launch like any other day tripper.

In a more subtle fashion the

presence of the mighty this month has rekindled the argument about the future of Venice, the city which lost an empire and has no geography and a role. The ease with which she has moved to the centre of the world stage this month can only encourage those who want Venice to become an international city concentrating on the arts and events like those now taking place.

Others feel that the first priority should go to the ordinary Venetians to make their crumbling homes habitable, to halt the exodus to the mainland and to protect the fragile, ever-threatened natural balance of the lagoon city.

Certainly the two summits will help psychologically, bolstering the self-confidence of a city which geography and politics have thrust off the main track onto the north eastern periphery of modern Italy.

Obviously the city is not going to disappear into the lagoon tomorrow, but the water lapping a few centimetres below the edge of St. Marks Square is a reminder that the problem of the Adriatic spillage over into the lowest lying areas of the city 30 times a year, has not been solved.

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GENERAL MINING/UNION CORPORATION GROUP

The Grootvlei Proprietary Mines Limited
Marievale Consolidated Mines Limited

DECLARATION OF DIVIDENDS

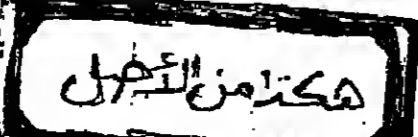
- Dividends have been declared payable to members registered in the books of the undermentioned companies at the close of business on 4th July 1980.
- The dividends are payable in South African currency. Members with payment addresses in Southern Africa will be paid from the Registered Office and the warrants will be drawn in South African currency. Members with payment addresses elsewhere will be paid from the London Transfer Office and warrants will be drawn in United Kingdom currency; the date for determining the rate of exchange at which South African currency will be converted into United Kingdom currency will be 22nd July 1980. Such members may, however, elect to be paid in South African currency provided that any such request is received at either the Registered Office or the London Transfer Office on or before 4th July 1980. Warrants will be posted from the Registered Office and the London Transfer Office on or about 14th August 1980.
- The registers of members of the companies will be closed from 7th to 11th July 1980, inclusive.
- Payment will be made subject to conditions which can be inspected at the Registered Office or London Transfer Office of the companies.

| Company (each of which is incorporated in the Republic of South Africa) | Dividend per share/unit of stock (S.A. currency) |
|---|---|
| The Grootvlei Proprietary Mines Limited | 92 cents |
| Marievale Consolidated Mines Limited | 55 cents |

per pro. UNION CORPORATION (U.K.) LIMITED
London Secretaries,
L. J. Baines.

London Transfer Office:
Hill Samuel Registrars Limited,
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London, SW1P 1PL.

Princes House,
95 Gresham Street,
London, EC2V 7BS,
13th June 1980.



Sharper decline in truck market

BY JOHN GRIFFITHS

THE DOWNTURN in the UK commercial vehicle market, which first appeared in April, is accelerating.

Registrations of commercial vehicles in May were 13.44 per cent lower compared with the previous May, according to figures produced by the Society of Motor Manufacturers and Traders.

May registrations, at 24,444, were 5,528 lower than in the 1979 month, although May 1979 achieved the second highest monthly sales ever. The record of 27,555 was set in March, 1979.

Sales in the first five months of this year, at 126,683, were 1.36 per cent down on last year. Until the end of April, sales overall had been running slightly higher than last year.

The slowly rising imports trend was reversed slightly in May, falling to 23.93 per cent compared with 24.83 per cent in May 1979. For the first five months as a whole, however, they rose to 23.96 per cent against 22.14 per cent for the same period last year.

Car-derived vans and light purpose-built trucks, always the first to feel a decline in economic activity, fell most sharply. Car-derived van registrations dropped to 6,588 from 8,705 in May, and to 36,112 from 41,880 over the first five months.

Purpose-built light trucks dropped to 10,778 from 12,944 in May, although sales for the first five months are still showing a net gain at 54,589, against 50,160 in the 1979 period.

The decline in sales of trucks and articulated vehicles over 3.5 tonnes is also sharper after a buoyant first quarter. May sales were 8,175, down from 7,402. They fell to 30,961 for the first five months, against 32,118 for the same period last year.

Leyland Vehicles has yet to benefit from its new T45 heavy trucks, production of which is still building. Its sales in May, at 1,018, were considerably lower than the 1,324 of May last year. Ford, which had been gaining ground in the heavy truck market after last year's supply shortages, also slipped back to 1,497 in May, against 1,523 last year.

Funds still too low for home loans

BY MICHAEL CASSELL

BUILDING SOCIETIES are still failing to attract enough funds to meet mortgage demand, despite some reduction in the level of home-loan applications.

Figures published yesterday by the Building Societies Association show that net receipts in May reached only £225m against £266m in the previous month. The declining inflow reflects the seasonal tendency toward higher withdrawals to finance holidays. Receipts this month are likely to fall even further.

In the first five months of this year the societies took £1,123m in net receipts against £1,428m in the same period last year.

But in spite of the societies' recent difficulties in attracting funds their lending performance has been maintained at high levels. Last month they advanced £700m to home-buyers, against £676m in April, and in the first five months of 1980 £3,368m against £3,448m in the same period last year.

House price inflation has meant that the funds advanced have gone toward fewer house purchases.

It seems likely that total home loans this year will not exceed 850,000, against 715,000 in 1979.

In May the societies promised a further £774m to mortgage applicants, against £756m in April. In that month a year ago the societies promised £795m to borrowers. Both actual advances and commitments to lend will probably remain at a high level in June.

Commenting on the latest figures, Mr. Norman Griegs, secretary-general of the Building Societies Association, said: "The level of cash from investors is still well below the

amount needed to meet the reasonable demands of home-buyers.

"Interest credited to investors' accounts is currently averaging £355m a month, which is proving extremely helpful in the present situation.

"Societies are perhaps doing better than might have been expected in the present adverse financial climate, but their fortunes are unlikely to improve until the high level of interest rates in the economy starts to decline."

Shortfall in jobs likely at Ford's Bridgend plant

BY ROBIN REEVES, WELSH CORRESPONDENT

FORD MOTOR may need 700 fewer workers than planned at its new engine plant at Bridgend, South Wales, the company said yesterday.

The £180m project, announced three years ago, was to employ 2,500 workers on reaching full production this autumn. However, the company said recruitment was likely to be frozen

when it reached 1,800 at the end of the year.

Any further increase would depend on how European demand developed for the new Escort range. The range is to be powered by engines from Bridgend.

The shortfall in jobs is particularly unwelcome in view of the heavy job losses the area is suffering in the steel industry.

Stonehouse discharged from bankruptcy

By Raymond Hughes, Law Courts Correspondent

MR. JOHN STONEHOUSE, the former Labour MP, was yesterday granted discharge from a criminal bankruptcy order made in 1976 after his conviction on deception charges. The order was suspended and will not take effect for nine months.

Granting the discharge, Mr. Registrar Parkhurst said in the London Bankruptcy Court that it was quite clear that Mr. Stonehouse would be very unlikely to find anyone who might set him up in business again.

His physical condition would preclude him from carrying on a business which might be to the detriment of the commercial public or result in a replica of the events of 1973-74, which led to the bankruptcy and to Mr. Stonehouse being sentenced to seven years in jail.

Mr. Stonehouse was "a broken man," said the Registrar. He had undergone considerable punishment and had been put under considerable stress. Release from the "cloud" of bankruptcy might at least improve his health.

There was no possibility of Mr. Stonehouse being able to make any monetary payment to his creditors, said the Registrar.

The court has been told by Mr. John O'Reilly, the Official Receiver, that Mr. Stonehouse's total liabilities were shown in his statement of affairs as £816,000. So far, creditors for £521,335 had put in claims.

Mr. Stonehouse had valued his assets at £137,185. They included £115,000 in Switzerland in respect of which certain of Mr. Stonehouse's creditors, mainly banks, had taken proceedings under Swiss law which had resulted in the funds being distributed to those creditors. They were therefore not recoverable, for the general body of creditors.

Only assets worth £1,993 had been realised.

Mr. Stonehouse, who has been voluntarily assisting a charitable organisation in East London since his release from prison last August, said his present income was £53 a week.

Cutler tells LT to publish criticisms

THE LONDON Transport Executive now has "no choice" but to publish a confidential report on its organisation and management, Mr. Ralph Bennett, the chairman, has been told in a strongly worded letter sent yesterday afternoon by Sir Horace Cutler, leader of the Greater London Council.

The report, by PA Management Consultants, was commissioned by the Executive in October to get independent advice about reorganising the management.

London Transport wanted to find out if the traditional role of the Executive—which had remained unchanged until two years ago since London Transport's formation in 1933—was still appropriate as LT faced mounting losses of passengers and mounting deficits.

The full PA report was studied by the executive a month ago. But Mr. Bennett has refused all pleas from Sir Horace, who leads the council, to publish the findings of the

consultants. Last year the GLC gave more than £110m in aid to London Transport.

Mr. Bennett said last month that the PA report was private. It was only one of several reports from consultants about the management and structure of London Transport which he had commissioned.

Sir Horace believes that London Transport's falling passenger numbers, falling standards, on parts of its network and its failure to agree with the unions on raising productivity all point to the need for full and open discussion of the difficulties. This includes as a matter of priority, publication of the PA report, "warts and all."

The changes could not be effected until London Transport formally submitted its plan to increase railmen's wages by 20 per cent.

The pay deal must be "through the council by July 8," Sir Horace said. This is the last full meeting of the council before the summer recess.

Williams warning against 'unrealistic' manifesto

BY PHILIP RAWSTORNE, LOBBY CORRESPONDENT

CONTROL OF Labour's manifesto by the left-dominated national executive would be "a recipe for utter disillusion," Mrs. Shirley Williams said last night.

Speaking in Stockton on the eve of the Labour Commission of Inquiry's meeting to draft its report on possible changes to the party's constitution, Mrs. Williams said it would be "wholly unrealistic for the NEC to impose a manifesto on Labour MPs."

"We dare not run the risk of pledging ourselves to policies we cannot carry out nor to proposals that are mutually incompatible," she said.

Mrs. Williams, reaffirming her determination to "fight her corner" within the party, said those without the responsibility of governing often jibed at difficult choices.

The NEC was doing so now by committing the party to policy statements to curb inflation and restore full employment while avoiding any mention of incomes policy.

There had to be consultations between those who represented the party and the MPs who represented the people, she said. "But the representatives of the

people must have the final word."

Mr. Ron Haywood, Labour's general secretary, said last night he shared the concern about activities of Labour splinter groups which was expressed by Mr. Roy Mason, the former Defence Secretary.

Mr. Haywood said the Commission of Inquiry's recommendations would be based on the interests of the whole party and the country and not on those of any individual or party group.

Left-wing influence over Labour's defence policy was attacked last night by Mr. Francis Pym, the Defence Secretary.

Mr. Callaghan was guilty of tacit acquiescence in the policy of "peace through surrender," he said at Bexhill.

"The Russians will have got the message—so much the British electorate."

No Wilson delay

PUBLICATION of the Wilson committee report on financial institutions, due on June 25, is unlikely to be delayed because of the illness of Sir Harold Wilson, the chairman, the committee said.

Foreign investment in Wales still strong

OVERSEAS INVESTMENT in Wales has continued "at an encouraging level," despite the slowing in economic activity, Mr. D. G. Badham, outgoing chairman of the Development Corporation for Wales, said at its annual meeting in Cardiff yesterday.

Mr. Badham disclosed that the corporation, Wales' overseas industrial promotion arm, was in discussion with 20 American and eight German companies interested in branches in Britain.

Sir Idwal Pugh, former Ombudsman, chairman of Chartered Trust, was elected to succeed Mr. Badham.

Plastics warning

PLASTICS companies are likely to have a "tough" time in the next six months, says a survey by the British Plastics Federation. More than 50 per cent of 149 companies covered by the survey had static or falling order books for the period. It adds: "Many respondents to this survey may have been unduly optimistic."

Switchgear jobs go

J. A. CRABTREE, the West Midlands electrical switchgear manufacturer, is to axe 238 jobs, nearly a tenth of its work force, because of falling home and overseas orders. Plants affected are at Wolverhampton, Walsall and Brownhills.

FT film award

A GOVERNMENT film made for the Foreign and Commonwealth Office won this year's Financial Times Export Award at the 1980 British Sponsored Film Festival. It is a Central Office of Information production about new technologies for seeing inside the human body.

Brewery troubles

SCOTTISH AND NEWCASTLE Breweries dismissed 31 public house managers "subject to appeal," mostly in the Gateshead area, for alleged stocktaking irregularities. All, it said, had appealed. A work-to-rule by pub managers in the area was lifted after talks between the National Association of Licensed House Managers and the brewers. Police were said to be investigating.

TWO PENSION PLANS THAT START WORKING LONG BEFORE YOU STOP

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Further, once the money is invested, any income or capital gain within the fund is free of U.K. taxes.

Your investment can go into one of three funds—

The Gilt Edged Pension Fund, the Money Pension Fund or the Managed Pension Fund.

Not surprisingly, though, the all important question is how much will the Pension bring you when you retire?

This obviously depends on the amount being paid, the investment performance and whether the payments have been continuous. (The plan is flexible enough to be able to reduce or even stop payments for short periods.)

But a 35 year old now earning £10,000 a year, for example, could retire at 65 with a pension of £71,000 a year for an annual contribution of £3,700.

He may decide that a tax free lump sum on retirement and a regular income would be more useful. A £160,000 tax free lump sum would still leave him a pension of £50,000 a year.

If you'd like more details of the Barclays Executive Pension Plan, send us the coupon below.

You'll soon see that Pension Plans aren't just the preserve of the old folk.

I would like to know more about the Barclays Executive Pension Plan.

Name _____

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EXECUTIVE PENSION PLAN.

Send this coupon into any branch of Barclays Bank or send it to M. Borrowes, Barclays Life Assurance Co. Ltd., 94 St. Pauls Churchyard, London EC4A 8EH.

The Personal Pension Plan.

The Executive Pension Plan is all very well for executives and directors.

But what of the people whose company doesn't run a scheme, or the self-employed?

For them, the Barclays Personal Pension Plan.

Like the Executive Pension Plan its main advantage is that the contributions get full tax relief and investment funds are tax-free.

Similarly there are three different funds for your investment to go in to—The Managed Pension Fund, The Gilt Edged Pension Fund and the Money Pension Fund.

The big difference is that while the contributions are limited the ultimate benefits aren't.

The contribution can be as much as 17% of allowable earnings. (That was increased by 2½% in the last budget.)

What can you expect when you retire?

It depends entirely on the amount you pay and the investment performance, but as an example take a man aged 40 who plans to retire at 65.

He makes regular contributions of £1,200 each year and if he pays tax at the basic rate that's equivalent to £840.

Even assuming his investment grew by only 10% a year, his plan would be worth £115,000 on retirement.

That would provide him with a pension of £15,000 a year or a tax free sum of £35,000 and a pension of £10,000 a year.

The Personal Pension Plan is a very flexible scheme and it can be tailor-made to suit your particular circumstances.

If you'd like more details post us the coupon now.

After all, you're not getting any younger.

I would like to know more about the Barclays Personal Pension Plan.

Name _____

Address _____

FT1406PPP

Tel: _____

PERSONAL PENSION PLAN.

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Last chance for Heseltine over town hall spending

THE THREAT of a three-to-six-month moratorium on new building—schools, houses, old people's homes and roads is the strongest Government action to bring local authority spending into line this year.

It is a clear warning from the Treasury to Mr. Michael Heseltine, Environment Secretary, that this is his last chance to win local authority co-operation in cutting expenditure substantially.

Otherwise the Treasury, backed by Mrs. Thatcher, will move in. It is understood to have already prepared a list of possible sanctions.

Capital projects, particularly schools and hospitals, are often built in phases, so the moratorium would affect not only buildings planned but not started.

If each phase were the subject of separate contracts, the threat would be unable to start on the current one was finished.

The idea of the moratorium is a response by the Treasury and Sir Geoffrey Howe, the Chancellor, to Cabinet dissatisfaction with Mr. Heseltine's handling of local government.

His reaction to revenue over-spending was to propose a mild circular, asking authorities to re-examine their budgets and file them by July, pruned where possible.

There must be a chance that some authorities will take the opportunity to refile an increased and more realistic allowance for inflation, rather than to cut.

The circular was held up because Mrs. Thatcher, in particular, regards it as far from strong enough. A revised, stronger circular is now on its way to local authorities.

But there is considerable doubt about whether a moratorium would be enacted. If it were, the consequences would be enormous.

The Royal Institute of British Architects said it would damage the construction industry and, long-term, the economy.

It seems that the Government is thinking of using a long-term investment industry as a short-term economic regulator to meet its target for a cut in public spending. But it is an illusion to think that forcing idleness on to productive resources is a sensible way of managing the economy.

Local authority capital expenditure was £1,058bn in the first quarter of 1979, £1,200bn in the second, £972bn in the third and £975bn in the fourth. Provisional figures for the first quarter of 1980 suggest the amount will be £1.1bn to £1.2bn, not out of line because this quarter always carries the main load.

The figure covers capital projects and includes VAT, but excludes sales of assets. A hold-back on this implies houses, schools and roads not being started.

There was a moratorium in 1976, when the International Monetary Fund was forcing stringent financial regimes on Britain.

Its effectiveness has been questioned by local authorities.

The threat of a moratorium on construction starts is a warning to the Environment Secretary, Robin Pauley reports. If he fails to win local authority co-operation in reducing expenditure, the Treasury—backed by Mrs. Thatcher—will move in.

They felt it disrupted long-term capital planning, simply making capital projects more expensive to fund later.

A capital moratorium does, however, effectively reduce substantially local authority borrowing within the financial year, making its mark on the public sector borrowing requirement.

The basic problem is that current expenditure is already seriously out of line with local authority budgets for 1980-81, mainly because they are not cutting manpower. But Government only has strong controls over local authority capital spending.

Treasury thinking is that dramatic action on capital is all that can be done to show Government anger and reduce public sector spending levels overall.

The 1980-81 budgets are being overspent by about £500m, or 3.7 per cent. This is within normal limits of overspending for this time in a financial year. It is usually absorbed by the end of the year.

The worry is that this figure takes current expenditure, together with revenue contributions to capital. Excluding revenue contributions to capital, current expenditure is over-

spent by 5.6 per cent, or £734m, on the year. That is far more than usual.

As local authorities overspend by £554m last year, the Government fears that they will do so again this year unless something is done.

It wants to contain local authority spending to make room for the planned increases in its own spending.

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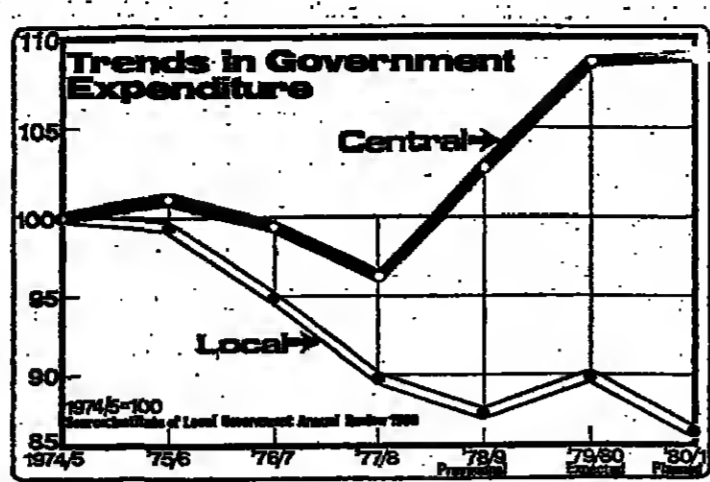
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On current expenditure, the plan is that the whole grant system will allow the Government to state how much an authority should spend varying the amount of grant according to how much it spends and how much the Government thinks it ought to spend. This theoretically allows over-spending to be penalised. It gives the Government an influence on revenue expenditure for the first time.

Andrew Taylor writes: Since 1975-76 capital spending on construction, at constant prices, has fallen from £5.9bn to a target figure of £6.53bn for the current financial year—a fall of 27 per cent.

The 1980-81 target figure, contained in the March expenditure White Paper, represents a further 3 per cent decline in public sector spending at a time when the private sector is also suffering from an increasingly stringent economic climate.

Public sector work is by far the worst affected area of construction. Figures published this week by the Department of the Environment show an 8 per cent fall in new public housing output and a 2 per cent decline in other public work during the first quarter of 1980, compared with the same period a year ago.

The effect of cutbacks since 1973 has left the civil engineering industry operating at around half its potential capacity.

According to Department of Trade figures construction companies accounted for around 800 of last year's 3,214 bankruptcies.

Out of 4,537 company liquidations construction firms, easily the largest sector, accounted for 789 liquidations.

The impact of further spending cuts, also in the March White Paper, will be to reduce the proportion of capital spending on construction of total public spending from 14 per cent in 1973-74 to just over nine per cent.

The existing system of loan sanction to control capital expenditure, which gives considerable central control, will be

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Observer in print agreement

By John Lloyd, Labour Correspondent

AGREEMENT in principle has been reached between The Observer and the National Graphical Association, the print craftsmen's union, which will enable the newspaper to adopt new technology.

Mr. George Jerrom, union organiser responsible for national newspapers, said last night that talks would continue next week but only to deal with minor matters.

Talks yesterday made good progress on agreeing methods of work in the machine room and agreement in principle has been reached on hours, wages and holidays.

Earlier this week, the two sides agreed the basis for introducing photocomposition. The Observer will be able to print a 64-page newspaper using part hot metal, part photocomposition, while changing completely to new technology, and continue to print 64 pages thereafter.

Mr. Jerrom hoped an extension would be possible of the July 1 deadline set by The Observer's owners, the U.S. company Atlantic Richfield, for a working agreement to be reached.

Both sides have remained silent on the issue for the past week, but progress has clearly been made. It appears that the focus of the dispute has shifted from an inter-union wrangle to one between unions on one hand and the CEBG and main contractors on the other.

A TUC proposal produced this

week is thought to accept that all skilled workers, including the ladders, receive a maximum hourly rate of \$4.00—previously a big point of conflict between the GMWU, which organises the ladders, and the other craft unions. It is thought to be acceptable to the CEBG.

A further TUC proposal that thermal insulation contractors return to do the lagging at Grain seems to be rejected by the CEBG and the two chief mechanical contractors responsible for this work: GBC and Babcock Power.

It is thought the TUC is anxious to preserve the traditional division of labour between the contractors to avoid future inter-union struggles. There is an eight-year-old agreement between the insulation contractors and the GMWU.

The TUC has recommended that all sides meet to discuss wages and bonus rates on construction sites.

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Gormley puts pit closure peace plan

BY ROBIN REEVES, WELSH CORRESPONDENT

A PEACE FORMULA aimed at defusing the row between the National Coal Board and Welsh miners over closure of Tynafn Lewis colliery was put forward by Mr. Joe Gormley, National Union of Mineworkers president, in South Wales yesterday.

Mr. Gormley's proposal is that the pit be examined by two arbitrators, one representing the miners and one representing the NCB, to see if it can be made viable.

Meanwhile, he would urge South Wales miners' leaders to suspend their protest boycott of the NCB's joint review machinery.

The NGB indicated immediately that it would be prepared to go along with the formula. Mr. Emlyn Williams, the South Wales miners' president, said it would be discussed by his area executive committee next week.

Welsh miners' leaders believe this is only the first of several

pit closures threatened by the steel industry cuts.

Mr. Gormley said he was 'very suspicious' of the NCB's decision to improve miners' redundancy payments.

It was 'very foolish' of the Government to expect the NCB to move from a balance-sheet loss of £350m now to profitability of £100m in four years, particularly given the energy crisis and the growing importance of the coal reserves.

Progress made in Grain talks

BY JOHN LLOYD, LABOUR CORRESPONDENT

TALKS OVER the inter-union dispute at the Isle of Grain failed to produce agreement at the Central Electricity Generating Board yesterday.

But the strike of insulation engineers, or ladders, on CEBG sites and power stations threatened by the General and Municipal Workers' Union from Monday has been called off for a week in the attempt to find a solution.

The talks with senior officials at the board's London head office were attended by Mr. Len Murray, TUC general secretary, and Mr. David Bassett, GMWU general secretary, and lasted about two hours.

Both sides have remained silent on the issue for the past week, but progress has clearly been made. It appears that the focus of the dispute has shifted from an inter-union wrangle to one between unions on one hand and the CEBG and main contractors on the other.

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week is thought to accept that all skilled workers, including the ladders, receive a maximum hourly rate of \$4.00—previously a big point of conflict between the GMWU, which organises the ladders, and the other craft unions. It is thought to be acceptable to the CEBG.

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Government and TUC in fresh upset

By Pauline Clark, Labour Staff

TUC AND Government relations appeared to have worsened yesterday after the Home Office decided against appointing a TUC-nominated representative to the Equal Opportunities Commission.

Government failure to take up the nomination of Mrs. Terry Marshall, a Communist Party member, is seen by some TUC leaders as attacking TUC democratic rights. Mrs. Marshall is deputy general secretary of the Tobacco Workers' Union.

The Home Office said yesterday that it had decided not to act further on the appointment at present.

Trade unionists see wide implications in the decision. Some TUC general council members are angry at what they believe is a blanket policy for the Government to weaken TUC influence on tripartite boards of public organisations.

They say Mrs. Marshall's political affiliation has not prevented her from becoming a member of the Central Arbitration Committee.

Her nomination to the commission also accords with the desire to see another member of the TUC's women's advisory committee in the post.

Several thousand members of the Civil and Public Services Association, the biggest Civil Service union, took industrial action yesterday, including strikes, to protest against the dismissal of two members in the unemployment benefit office in Brixton, London.

The union, which is planning further action, said it was pleased with the response, which particularly affected the health, social security and employment services. The Civil Service Department, however, said the work of most Government departments was largely unaffected.

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THE WEEK IN THE MARKETS

Blame the town hall treasurers

Equities have stayed on the edge of banking figures in a set of banking figures which proved a disappointment to the gilt-edged market. Not a right issue of company stock by British Home Stores was able to blunt the force of the equity market. The week — as measured by the FT 30-Share Index — some 20 points higher. Gilt-edged had been expected that the banking figures for the month to mid-May would be no more than moderately encouraging, but a rise in sterling of a full 2 per cent was something of a shock. Bank lending was slightly worse than the market had hoped: the real problem seems to be public sector spending — the local authorities are being held up as culprits. Nevertheless, some demand from abroad on the back of a generally strong sterling helped the Government to sell some of its Treasury 13½ per cent 1994 stock yesterday morning, and the underlying tone remained quite firm.

Murdoch moves

Despite reservations among the analysts, the proposed reorganisation of News International has been greeted with some enthusiasm in the Stock Market. Shares in Mr. Rupert Murdoch's UK newspaper

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group, publisher of The Sun and The News of the World, were up to around 190p yesterday, compared with 169p before the announcement and a low point of 159p earlier this year. Insiders seem to like the deal, too. Mr. Paul Hamlyn, a director of News International, and one of the major independent shareholders, bought 55,000 shares at up to 187p after the announcement.

Under the scheme, there will be a one-for-one scrip issue in News International, taking the effective price down to 95p. Mr. Murdoch's master company, News Corporation of Australia, will then offer to buy up to half the new shares for cash at 100p a time. The remaining shares will have some very unusual features. They will carry virtually no voting rights, so that News Corporation will have 100 per cent control of the UK business. And their dividends will be equivalent to those paid out by News Corporation, translated into sterling at whatever happens to be the ruling rate of exchange.

Since they are to share in the same dividend stream, the new

shares in the UK business will obviously have some relation to the price of the Australian group. And that rose sharply this week, for the very good reason that the deal — assuming it is approved — will have an extremely favourable impact on News Corporation's balance sheet and cash flow. By Thursday, News Corporation was standing at around 138p, compared with 90p for the equivalent News International paper (190p less 100p cash offer).

News Corporation has a progressive dividend record, its payment has doubled in the past couple of years. And most UK shareholders would get a significantly higher income out of holding the new shares in News International than the equivalent equity in the Australian company. This is because the UK dividend is paid net of tax, whereas the payment in Australia is gross.

In addition, the long term outlook for the Australian dollar is favourable. That is obviously an important consideration for UK holders of the new shares.

Against all this, however, is the fact that the new shares have extremely restricted voting powers. This is likely to limit institutional interest, and the marketability of this funny sort of paper is open to question. Although there may be

grumblings, there is little doubt that the transaction will be approved, since anyone who turns it down will simply allow someone else to pick up his share of the cash offer. So a little profit taking might not be amiss at this point. After all, the effective yield on the new shares on the basis of this year's dividend forecast from News Corporation is no more than 7 per cent.

Metal Box

In the two days after Metal Box announced its full-year figures on Wednesday, the share price has shot up by nearly a tenth. The company is the second largest customer of British Steel, and during the strike production was down by half in food cans and two-thirds in beverage cans, so the market was expecting a profits bloodbath.

However, although the company estimated that the strike cost it £13m, pre-tax profits managed to edge ahead by 2½ per cent to £59.8m. The message is that after standing on a profits plateau for four years, Metal Box now looks set to break through decisively to higher ground.

The key factor is not simply the adding back of the profits lost through the strike. In January the company achieved a major breakthrough by introducing continuous shift working in its Carlisle two-piece canning plant. This means that a £100m investment, which up to now has made a minimal contribution, will start to earn a real return on capital in the current year.

The positive contribution to profitability will far outweigh the adverse impact of the after effects of the strike and the entry of the U.S. Continental Can into the British beverage market this summer.

Furthermore, things seem to be going well in other parts of the company's business, especially in the Stelrad central heating division and in some of the overseas businesses, such as Nigeria, South Africa and Italy. So while manufacturing industry as a whole is bracing itself for a lean year, Metal Box's profits could be up a quarter, barring industrial relations trouble.

Chloride dims

The average life of a motor car battery is not something that keeps many people awake at night. But it is a matter of all-consuming interest to em-

ployees and shareholders of the Chloride Group at present. A fall of 12 per cent in automotive battery sales in Europe and the U.S. last year has wreaked havoc in the profit and loss account, led to 700 redundancies and brought a cut of over a third in the dividend payment. The question is whether this represents just a temporary setback in demand, or whether there has been a fundamental change in the market place such as that which has knocked the world's tyre makers for six in recent years.

Chloride says that demand is still falling, but is confident of a recovery sooner or later — maybe early in 1981. It points to a number of special adverse features in the last year. High interest rates have encouraged distributors to empty their warehouses. The harsh winter a year ago pulled sales forward into the previous financial year, while this year's mild season had the opposite effect. And the high cost of motoring has encouraged drivers to get more out of their batteries, by using home chargers and by waiting for the last moment before buying a replacement.

All the same, the group accepts that it has a big strategic problem. Automotive sales in Europe account for two-fifths of total turnover, and the motor business also accounts for a large part of its American activities which represent a fifth of sales. This is a mature market, with growth prospects that are modest at best, and there is too much capacity in Europe. Moreover, debt now represents 78 per cent of shareholders' funds and interest costs are swallowing nearly 40 per cent of operating profits.

Carless rights

If ever there was a time to ask shareholders for a large amount of money, this was it. Carless Capel and Leonard, the petrochemicals and oil exploration group which struck oil just 150 feet from the A32, went to the market last week and asked for £5.5m in rights issue money.

The timing was exquisite. Carless has only recently announced more than doubled pre-tax profits of £8.26m and just a few days ago revealed its plans to install a production unit at Bumble Grove, its on-shore field near Basingstoke in Hampshire.

The issue, on a 1-for-4 basis at 100p per share, was pitched at a 24 per cent discount. But as is usual among oil exploration shares, the ex-rights yield of under 3 per cent is unattractive. The Carless share also falls in line with the sector since it carries a high rating, reflecting long term growth hopes.

Still some consolation

NEW YORK
IAN HARGREAVES

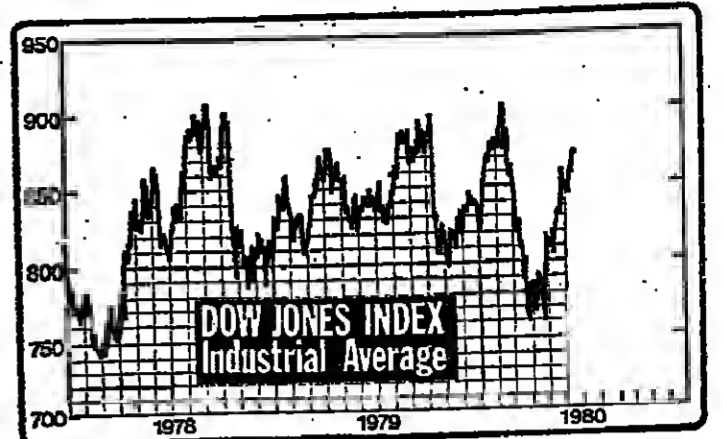
WALL STREET continues to laugh at scorn the numerous sceptics who find it impossible to understand how the stock market can continue to build upon the foundations of an unspectacular but steady rally which has now been in progress for more than seven weeks.

Since April 21, when the Dow Jones Industrial Average touched its low point of 760, the blue chip index has put on more than 112 points in a pattern which has involved occasional double digit spurts, leavened with more numerous days when the index has hardly moved at all.

The events thus have the stamp of a market which knows what it is doing, or at least which thinks it knows. Although trading volume has not been massive — no day in the rally has produced daily trading in excess of 50m shares — it has been solid. It must also be noted that broader-based indices than the Dow, which is arguably over-biased towards the sprightly oils, show an even more positive pattern than the Dow. The New York Stock Exchange's Composite Index of all 1,536 shares listed, for example, this week reached 68.17, only slightly short of its record high of 67.77 established on February 13, when the Dow was perched briefly over the 900 mark. That 900 point, incidentally, was reached after a rally of very different character from the present one: it swept ahead inside four weeks on massive, indeed on several days record trading volume in, as it turned out, an atmosphere of mistaken assumptions about the probable non-appearance of the recession.

That first rally of the year collapsed in the near financial panic of March, when bond prices lurched downwards and the very existence of the long term debt market was, in the opinion of some people, in jeopardy. The current stock market is clearly in no mood to panic. It has had plenty of opportunity to do just that as evidence has mounted of the gravity of the recession.

The most compelling case for saying that the market is riding for a fall is the argument that investors have not yet taken



into account the fact that grave damage which will be done to corporate profits by the recession in the second and third quarters at least and possibly the final quarter as well. This camp gloomily points to the market reaction to announcements like the one from Dow Chemical at the beginning of this week that its second quarter will be 21 per cent lower than the same period of last year. Analysts had already predicted such a weakening of income, but the market still took the shares lower.

But in general terms, the market does not seem to care about the pessimists. One reason is that of the various gloom scenarios, all contain something to console the stock market.

The 'heavy-recession' argument, for example, to which Dr. Henry Kaufman, Salomon Brothers' chief economist, belatedly lent his weight on Thursday, may wreck corporate profits for the best part of a year, but it will also drive interest rates lower in the immediate term and inflation lower in the longer term if the Fed sticks to its anti-inflationary policies. Lower interest rates (which make yields on stocks much more competitive with yields on money market instruments) are the key factor behind the rally in stocks, as was proved on Thursday when a rather negative day was turned around by news of Dr. Kaufman's new forecasts, which call for, among other things, a rate of increase in the Consumer Price Index of only 5 to 6 per cent by late summer and even lower interest rates (a Prime under 10, for example).

The other pessimists' argument was well summarised this week by Mr. Gert von der Linde, Chief Economist at Donaldson, Lufkin and Jenrette. He says that interest rates will start to

move up again, probably next week, once corporate America starts to have to pay its record \$18bn tax bill, hoisting demand for short-term credit from banks and from the commercial paper markets. He expects to see this liquidity crunch followed by the explosion of the myth that Congress has just created a balanced Budget (the Budget's economic assumptions are widely agreed to be those of cloud cuckoo land). A large budget deficit will increase strains in the debt markets as the Treasury will need to borrow more and could also re-stoke the cooling inflationary fires. But the consolation for the stock market in all of this analysis is that it probably means lighter recession.

So, investors in stocks are at liberty, if they choose, and they have chosen, to look on the bright side.

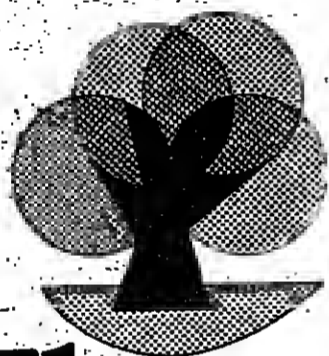
This tendency to focus on the good news aspect of any situation is an important clue to present market psychology and although it could be swept away at any moment, the bright side thinking was also evident in the market's response to the OPEC meeting in Algiers. The market responded by marking up the oil stocks fairly sharply, on the strength of an expectation of higher prices.

Perhaps another instance of the same thing was activity in the motor stocks on Thursday, the day after the market learned that Ford may have to recall 16m vehicles with allegedly faulty transmissions. Ford shares went down \$1 to \$21, but those of General Motors, Ford's main competitor in the U.S., went up by \$2½ to \$48.

Monday 866.67 -0.85
Tuesday 863.99 +1.32
Wednesday 872.70 +8.71
Thursday 872.61 -0.09

MARKET HIGHLIGHTS OF THE WEEK

| | Price | Change | 1980 | 1980 | |
|------------------------|-------|---------|-------|-------|----------------------------------|
| | Yday | on Week | High | Low | |
| F.T. Ord. Ind. Index | 456.5 | +28.0 | 478.8 | 406.9 | Persistent widespread demand |
| F.T. Govt. Secy. Index | 48.41 | +0.63 | 49.24 | 63.85 | Despite disptg. banking figs. |
| Allied Breweries | 85 | +71 | 85 | 68 | Good annual results |
| Applied Computer | 368 | +53 | 368 | 230 | Good results |
| Arrow Chemicals | 42 | -13 | 116 | 42 | Profit forecast missed |
| Continous Stationery | 56 | +14 | 58 | 34 | Bumper profits, prop. 100% scrip |
| Dunlop | 76 | +10 | 76 | 51 | Far-Eastern support |
| Ferranti | 550 | +45 | 550 | 400 | Pending sale of NEB stake |
| Geowor Tin | 180 | -25 | 230 | 153 | Profits downturn |
| ICI | 376 | +20 | 402 | 348 | Persistent small buying |
| Marshall Cavendish | 25 | -8 | 25 | 13 | Times of Singapore buys 27% int. |
| Martin (Albert) | 38 | +11 | 67 | 38 | Chairman warns of interim loss |
| Metal Box | 300 | +38 | 300 | 226 | Better-than-expected results |
| Midland Bank | 362 | +25 | 383 | 308 | Continuing peak interest rates |
| Northern Foods | 134 | +11 | 134 | 107 | Excellent half-year results |
| Satchi & Satchi | 182 | +19 | 183 | 128 | Results/Press comment |
| Samartha Expln. | 148 | +42 | 165 | 40 | Deal with ESO Australia |
| Samson Expln. | 102 | +42 | 102 | 40 | Deal with ESO Australia |
| 600 Group | 59 | +7 | 67 | 52 | Better-than-expected results |
| Unicom Inds. | 116 | +31 | 122 | 78 | Bid approach |



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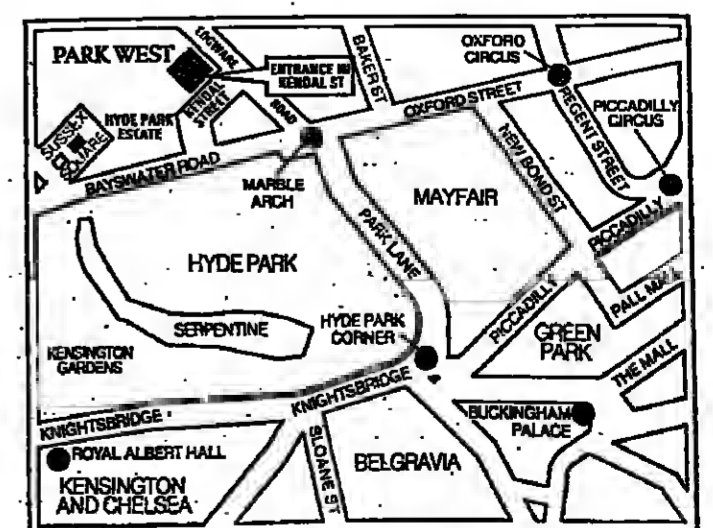
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FINANCE AND THE FAMILY

A television licence

BY OUR LEGAL STAFF

We borrow a country cottage occasionally from my father. If we take our colour portable TV set, do we need a separate licence? Just who or what is licensed when we buy our licence?

The licence is personal to the licensee who buys it, and it authorises use by the licensee and members of his or her family and domestic staff in residence to use any number of television or wireless sets in the premises shown as the licensee's address, and also to use portable sets powered by batteries (but not on the mains) elsewhere than at those premises. To use a set in the country cottage you must either use a portable set on batteries only, in which case your own licence covers that use; or you would require a separate licence for the cottage address. If your father purchases a licence for the cottage you would be able to use a set on the mains there under his licence. You will find the terms of licensing more fully set out in the licence form which you receive when you buy your ordinary licence.

A substitute for a will

I am domiciled in Spain but have a portfolio held in the Isle of Man. I wish my two sons, both resident in the UK, to inherit my assets on my death.

It seems that any will I propose may lead to international complications and it seems to me much simpler to divide my portfolio into two and give each son "power of attorney" over one half. Would this have the desired result?

We cannot advise you as to the law of jurisdiction other than the UK. The question of your will falls under Spanish law, and of dealing with your portfolio (probably) under Manx law. If Manx law follows English law, what you propose will not achieve your object. You would either have to make a gift to your sons during your lifetime or make a (valid) will, presumably under Spanish law. Trans-

A property in Scotland

What is the most appropriate form of ownership arrangement for a Scottish property to be jointly owned by four couples who intend using it, partly as a holiday house and partly for holiday lets? We would like to ensure one couple could, if desired, sell their share at some point in the future, perhaps giving other joint owners first refusal. Should capital gains tax or other tax considerations affect the decision? It is hoped to be able to let commercially for more than

26 weeks each year, but this level may not always be reached. No legal difficulties should arise in the type of multiple ownership you envisage. The title to the property would be taken by all the couples, each couple taking a pro indiviso share of the whole. This in effect means that each couple could sell their own quarter share independently.

Scholarships to Public Schools

I have been told that companies like Rothschild, who used to offer scholarships to Public Schools to employee's children, now have to open these scholarships to all-comers to obtain charitable status. Is this correct? If companies offer such

scholarships, how could I find out more about them and which companies do offer scholarships to children other than of their employees?

You are right in believing that organisations' scholarship schemes must now, to have the approval of the Tax Authorities, open the scholarships to children other than of their employees.

There is a yearly directory which purports to include such schemes. It is the Directory of Grant-making Trusts, published by the Charities Aid Foundation. A copy would presumably be available through your local library.

As the information you seek might be difficult to find from the directory, however, you might do well to ask advice from either or both of the following:

The Independent Schools Information Service, 26 Caxton

Street, London SW1—telephone 01-222 7883 or 0068; The Educational Grants Advisory Service, National Council of Social Service, 26 Bedford Square, London WC1—telephone 01-636 4066.

Mandating of dividends

Is it possible and permissible for a holder of ordinary shares to arrange for all dividend payments to be made permanently direct to a specified recipient (for his personal benefit) not being the holder of the shares and so that the payments are only liable to be included in the recipient's tax return, not in the shareholder's? While there is no obstacle in law to the mandating of dividends as you suggest, it is unlikely that a public company would be willing to accept a mandate to remit dividends to someone other than the shareholder and it cannot be compelled to do so. The alternative would be to assign to the donee the income in the designated shareholding during the joint lives of the shareholder and the donee.

Covenant to grandchildren

I wish to make a small regular monthly payment to my married daughter to help her out with the housekeeping. She has two children aged 4 and 4½. I realise that I can get a tax saving by covenanting this payment to one of the

grandchildren. What I want to know is, what are the practicalities of my grandchild converting the payment under covenant into cash for his housekeeping each month? Can it be done? We think that you can achieve what you require by making provision in the deed of covenant that the receipt of the covenantor's obligation for each payment of £100 payments can then be made to the parent for the child. A suitable covenant could be drawn up by a solicitor.

Disposal of a cooker

Last May 1979, we sold our AGA cooker as seen working to be collected when it was dismantled in three to four weeks' time. We accepted a deposit, the remainder to be paid on collection. After writing three times, we went up to the site of the farm of the purchaser and found that it was abandoned. What steps can we take to remove the cooker, or rather dispose of it? We think that you can now dispose of the cooker (assuming that the letters you wrote were sent to the correct address). The purchaser could require the deposit to be returned, but he has repudiated the contract and you are entitled to accept the repudiation and sell elsewhere.

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

Just one risk after another...

INSURANCE

JOHN PHILLIPS

LAST WEEK Eric Short wrote of the risks our children run when playing games at school, and described a new personal accident insurance now being offered to provide compensation for games injuries.

But these accidents do not just happen to children. They happen to all of us who participate in competitive sport, whether as amateurs for pleasure, or as professionals. Moreover, accidents do not only happen on the playing fields or in the sporting arena, they happen on the way to and from fixtures, in changing rooms, in fact everywhere almost all of the time.

Surely if the purchase of personal accident insurance for sporting accidents is warranted, then it should be bought by each of us to cover the widest possible range of eventualities rather than by the club secretary to cover a relatively small number of possible events? Be this as it may, the fact remains that most of us do select facets of our lives where we think we are at greater than average risk—average to ourselves, that is. Else why should most of us want accidental death and injury cover whenever we are going to fly somewhere?

In fact, the risk involved in flying is appreciably less than that incurred in driving down the motorway from London to Devon—but virtually no one making the motorway trip goes out of his way to buy special accident insurance for that kind of journey.

The individual can buy accidental death and injury cover on a 24-hour a day basis for a week basis and by paying extra premium above his insurers' "book rates" he can also have included cover for a wide range of the more hazardous sports and pastimes, although parachuting, hang gliding and mountaineering still cause many insurers to say "no".

From this maximum cover can be cut down almost to any size, so that the individual can obtain insurance simply for working accidents or for travel accidents, or even just for motor accidents. He made his own choice, and pays premium accordingly—the narrower the cover, the less he pays, subject always to insurers' minimum premium rules.

Individual and group insurances then designed to meet and benefit ratio is usually

19 to one—so that for every £1,000 worth of death cover the policyholder gets £19 a week when he is totally disabled. The basic cost of a policy providing £10,000 death cover, and £100 a week disablement benefit for two years is around £25 a year.

This premium covers accidents at work while travelling, at home or at play, subject to the usual exclusions. Insurers provide group cover, not just for employers intent on staff welfare, but for all sorts of groups who have an identifiable common interest. Thus the amateur sports club, whatever its range of activities, can arrange a group accident policy which covers its playing members, referees, umpires and so on, but for its non-playing members as well.

Insurers take account of such factors as the games played, the quality of performance, the extent of travel, the numbers of people involved, their age and sex, in determining premium.

But because the cover is provided for a group of people, not just for its playing members, the premium on a group basis will normally be cheaper than the individual can pay if he or she was to arrange cover separately—the obstacle of insurers' individual minimum premium is avoided.

Take for example, cricket. In spite of the helmets and protective gear of the first class game, insurers reckon cricket to be one of the least dangerous of sports. General Accident provides a cricket club accident insurance for only £16 a year, per team (inclusive umpire and scorer) for any player aged 16 or more: cover includes actual play, and travel to and from games other than by motor cycle.

This premium buys £2,000 death cover, £2,000 for the loss of one or more limbs, loss of sight in one or both eyes and £20 a week for total disablement, excluding the first week of incapacity. Benefits can be taken by 50 per cent for 50 per cent more premium.

RACING

DOMINIC WIGAN

Sparkling Boy's day

PAUL KELLEWAY, whose stable has been having a lean time since early Spring, will be hoping that Lester Piggott can bring him a change of fortune in the £10,000 William Hill Trophy at York this afternoon. Here Piggott—rumoured to have more than a passing interest in the jockeys' championship—rides Sparkling Boy.

A considerably improved sprinter, Sparkling Boy justified good support in Sandown's Easter Place Handicap when beating Over the Rainbow by a length, and then proceeded to follow up in even better style at Kempton on May 31. There Sparkling Boy—tackling stronger company than in his previous race—came through with a strong horst close home to the Victor Wild Handicap to beat Ferryman, to whom he was conceding 3 lb, by one and a half lengths.

Sparkling Boy, confined to his box for the months last summer after injuring his hind legs, seems sure to make a bold bid for the hat trick. However, an odds of around 21, he hardly appears as tempting value. Two better win and place propositions in my opinion are Shaybooth and Optimiste.

In command from start to finish when jolting a gamble oo

Tobacco Boy at Nottingham on April 1, Bill O'Gorman's Shaybooth did well to finish fourth behind Ferridy Hall after missing the break in the Johnny Osborne Handicap at Haydock later in the month.

Optimate, a half brother by Great Nephew to Catherine Wheel, has not been seen out since chasing home Chant in the first race of the campaign, the 26-runner French Gate Stakes at Doocaster. However, there is no lack of stable confidence behind the colt.

In a tricky race, Optimiste looks worth consideration at odds of 14-1 or thereabouts.

YORK
1.30—Veeya
2.00—Hide the Key
2.30—Shaftesbury
3.00—Optimate
3.30—Prizee Roland
4.00—Moore's Miracle
4.30—Mississol Shamile
L25—BANDOWN
1.25—Casina
2.15—Hadden
2.45—Prince Northfields
3.50—Strait
BATH
2.00—Light Sentence
2.30—Fast Green
3.30—Royal Blood***
5.00—Maryam

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The importance of energy is recognised worldwide. The recent substantial rises in the price of oil have led to an increase in the price of most other forms of energy. Thus exploration and production of energy, even in the more inaccessible areas, is becoming viable. This could well result in an acceleration in the establishment and growth of

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The portfolio will not be confined to energy seeking and producing companies. It will also include the shares of companies which research or market energy conservation techniques. Many energy sources, the classic example being oil, are available only in finite quantities. Conservation is thus important and the Managers believe that profitable investment opportunities will be found among companies providing advice, goods or services in this field.

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Subject to the enactment of the Finance Bill, 1980, an authorised unit trust such as Target Energy Fund will be exempt from tax on its capital gains with effect from 31st March, 1980. This represents a major concession which substantially increases the already considerable attractions of unit trust investment.

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Units in Target Energy Fund are on offer at 51.2p each, less the special discount of 5%, until 25th June, 1980. The current gross annual yield is 3%.

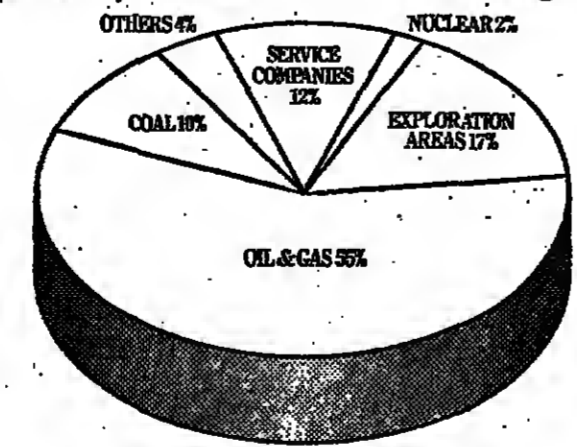
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Supron Energy
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Amcoal
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Ametek
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The Managers reserve the right to close the offer before the date stated if the offer price varies by more than 2%.
After the close of the offer units will be available at the daily price.

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YOUR SAVINGS AND INVESTMENTS.

James Makinson looks at the recent modest revival in UK equities

Cynics proved right again

THE LAST few weeks appear to have vindicated the cynic's view of the stock market: that when all the news is bad and pessimism abounds, share prices are bound to rise.

Market sentiment reached its nadir around a fortnight ago when the National Institute Economic Review forecast that the real profits of UK industrial and commercial companies, excluding the North Sea oil sector, would fall this year to about a quarter of 1979 levels.

Since then, many of these companies have participated in a rally which has seen the FT 30-Share Index rise without interruption for eight trading sessions. By Thursday evening, the index was 8.7 per cent above the recent low of 412.7 struck on June 2.

Significantly, the 30-Share Index, with its strong weighting towards industrial companies, has risen more strongly than the FT Actuaries All-Share Index, which was up by only 6.8 per cent over the eight trading days.

Leading the rally have been several high-yielding companies which are expected to be especially hard hit by the present recession. Tube Investments, for example, has risen 27p to 287p since June 2. Even the most optimistic analyst is not inferring the start of a roaring bull market from recent developments but there is a much more jaunty feel around Throgmorton Street these days.

The London recovery is not an isolated phenomenon. Wall Street has been strengthening

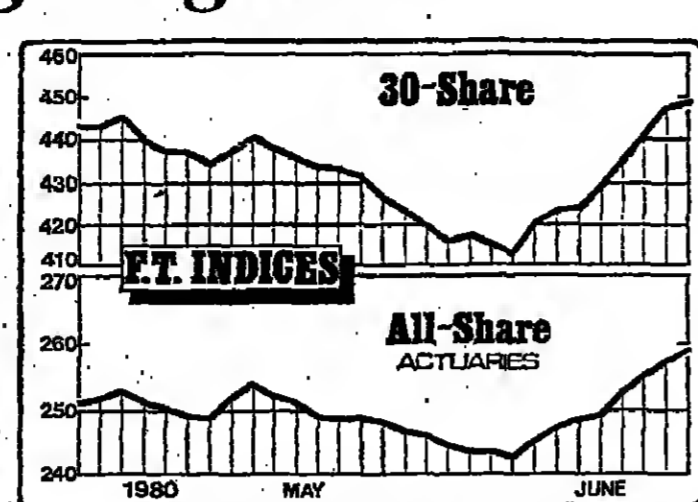
and almost all other major markets have posted gains. Some of the general enthusiasm has undoubtedly rubbed off on London.

The rise has been attributable in part to the cyclical fall in interest rates, which has been particularly marked in the U.S. This has led many New York pundits to believe that the recession there will be severe but short.

The hope in London is that if the U.S. economy starts to gather steam sooner than was earlier thought, this will help to drag the UK out of recession. The interest rate developments have, however, made a more direct impact on share ratings in London. The indications are now very strong that the Minimum Lending Rate will fall over the summer and even though this week's poor banking figures may delay the cut, this is good news for Britain's manufacturing companies, many of which are being obliged to carry a frightening level of inventory.

A fall in interest rates can be expected to prompt a weakening of the pound, which has been propped up by international funds placed on short-term deposit in London.

A weaker pound would clearly be a welcome relief for British exporters, who have been protesting that the level of sterling is driving them out of traditional export markets. According to Mr. Harry Cowie of Hedderwick Sterling, the three best performing sectors in the week up to Wednesday,



were office equipment, pharmaceuticals and engineering contractors. All three are significant exporters.

In the eyes of the institutional investor, falling interest rates have a further ramification. They have substantially reduced the reverse yield gap between gilts and equities. Since the middle of February, the difference between the yield on all equities and on long-dated gilts has narrowed from about 8 per cent to around 7 per cent.

Several analysts believe that this is now too narrow and that a widening is more likely to follow from firmer equity prices than a weak gilt market. Interest rates aside, there are other reasons for the market to be picking up at present. The current recession is the best advertised and rehearsed in history and the damage to manu-

facturing industry has been heavily discounted for months. As a result, any rays of light are likely to cheer up share prices. As Mr. Nicholas Verrey of Rowe and Pitman puts it, there is not much good news about, just less bad news. The patchy agreement reached by OPEC nations this week was, however, one instance of encouraging news.

Mr. Verrey also believes there are encouraging signs on the wage front. There certainly seems to be no shortage of funds to place in the stock market, and institutions appear surprisingly liquid. Yet they are unlikely to draw too many conclusions from the last fortnight's rally.

The economy remains too fragile for hard-headed investors to wax too lyrical about equities.

Making partnership work

BECOMING a partner is every professional man's dream. But as well as the juicy financial rewards the privilege of taking a share of the profits entails financial commitments.

A new partner in a firm of accountants or solicitors, for example, has to find the necessary capital to put into the firm. Once established, he has the continual problem of funding

the partnership's capital requirements.

Finally at retirement he has the sometimes delicate task of extracting the share of the capital without upsetting the funding arrangements.

A source of finance—capital put up by the partners, retained profits generated by the business and borrowing from the

bank. Several partnerships appear dissatisfied with the apparent inflexibility of this system and have been looking at means of improving the funding arrangements.

Following the prompting of one major accounting firm, Scottish Equitable has designed a scheme to provide this flexibility, combined with the tax advantages of life assurance.

Under the Partnership Capital scheme, at least one partner takes out a Scottish Equitable Cheque Plan policy on his own life. This is a 10-year with-profits endowment contract where the investor has the option of leaving some or all of the maturity proceeds on deposit until required, earning special bonuses.

The partner pays the net premiums out of income, and the policy is eligible for the usual life assurance tax credit on premiums up to one-sixth of income.

The partnership then enters into an agreement with Scottish Equitable whereby it can borrow up to the total amount of gross premiums paid under the Cheque Plan contract, including the tax credit received by the life company.

Thus for every £550 paid into the life policy the partnership can borrow £1,000. The interest rate is 3 per cent above bank base rate. This interest is paid out of partnership profits and is therefore allowable as a charge against tax for the individual partners.

It has to be emphasised that the partnership, not the partner,

has the loan facility.

The minimum loan is £10,000, so it may be advisable for more than one partner to effect a life policy. The loan facility increases each time a premium is paid.

At the end of 10 years, the partner has a number of options, including repaying the loan out of the proceeds of the policy. There is considerable flexibility at this stage.

How then does this scheme help partnerships in their capital funding arrangements. For a new partner, instead of putting his capital direct into the partnership, he puts the money into a Cheque Plan contract. The capital is still available through the loan facility, while the partner gets both life cover and a steady return on his outlay.

Similar advantages apply to existing partners. The capital required, instead of lying idle, can be invested safely and profitably, yet be instantly on call through the loan facility. In many cases, the facility is not likely to be used much, but it is there when required. The interest charge is similar to that of bank borrowing.

For retiring partners, the scheme enables them to plan a phased withdrawal of their stake in the business without leaving the partnership short of capital. For with each premium paid, the loan facility is increased.

E.S.

A week on Target

IT'S BEEN a busy week for investment trusts and investment trust watchers. On Thursday, for example, the movement launched its latest 'Investment Trust Year Book', which includes explanatory articles telling investors how trusts work and a statistical review of the performance of management groups.

The accompanying public relations exercise, however, was quickly followed yesterday by the announcement that Target Trust Managers had successfully concluded the unitisations of Carlisle and Tyndale Investment Trusts.

This is the biggest unitisation to date, and the managers claim that the effect has been to increase the realisable value of shares of Carlisle Investment Trust (which becomes Target Energy Fund) from 105p to

157p bid since January 1, a rise of 49 per cent. In the case of Tyndale, now Target Income and Growth, they claim the rise is 44 per cent over the same period.

The interesting man at the centre of the saga is Mr. Peter Hill Walker, managing director of Carlisle Investment Management who will remain in charge of the two new funds. An investment trust manager suddenly turned unit trust manager, Mr. Hill Walker says he has always felt that there were too many investment trusts in the market. He also argues that from his recent experiences the costs of unitisation are perhaps not as great as some investment trust diehards like to make out.

Investment Trust Year Book—Financial Times Business Publication, Price £10.50p.

PROPOSALS in the Budget extend the tax concessions on self-employed pensions and lump sum death benefits showed that the Government's heart was in the right place. But the original Finance Bill left some doubt as to whether its head was functioning properly.

This week, however, the Government has made several amendments to the Finance Bill.

First it has removed all restrictions on the recipient of lump sum death benefits. Now all lump sum death benefits can be paid free of Capital Transfer Tax, thereby helping the self-employed to pass on their businesses to their heirs.

Secondly, the Government has extended the transitional period for using unclaimed reliefs into the 1981/82 tax year.

Finally, the self-employed will have 12 months from the end of the year of assessment in which to pay pension contributions and elect to have them treated as if they were paid in the year of assessment. As a result the self-employed will not have to guess their earnings in order to avoid forfeiting tax relief.

Take off to Top Interest Rates

WITH NEW HIGH RETURN OPTION SHARES

Now your savings can take off to top interest rates with Leeds High Return Option Shares.

You can choose the way your money works for you.

Top interest all the way

Unlike some other schemes, the Leeds Permanent lets you start with top interest on a 5-year term. And when your term is up, you don't have to start again. You can continue to earn top interest as long as you're in the scheme.

Even higher interest. On any term, leave your interest with your savings and the Leeds will compound it every six months to give you an even higher rate—something many building societies don't do.

Keep your options open. You may choose any term of 1, 2, 3, 4 or 5 years to start. If you stay in the scheme, your extra interest rises year by year to the top.

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Take your interest as income or leave it to grow with your savings.

| | 11.04% | 11.30% | 11.83% | 12.36% | 12.89% |
|---------------------------------------|--------|---------|---------|---------|---------|
| *Net growth (Leave your interest in) | 11.04% | 11.30% | 11.83% | 12.36% | 12.89% |
| **Net income (Take your interest out) | 10.75% | 11.00% | 11.50% | 12.00% | 12.50% |
| Gross equivalent growth | 15.77% | 16.14% | 16.90% | 17.66% | 18.41% |
| Gross equivalent income | 15.36% | 15.71% | 16.43% | 17.14% | 17.86% |
| Initial term | 1 year | 2 years | 3 years | 4 years | 5 years |

*Basic rate income tax paid. Gross figures show the equivalent annual return to a saver who pays income tax at 30%. Interest rates can vary but the High Return Option Share differential above the Paid-up Share rate is guaranteed at 2% for 5 years, 1.50% for 4 years, 1% for 3 years, 0.50% for 2 years and 0.25% for 1 year. When your investment reaches the maximum, you must take the income option.

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Far from going down, income from the Fund has risen 160% in the last ten years and there are good prospects that it would continue to rise in the future.

Tyndall Income Fund is one of Britain's biggest and longest established unit trusts and invests in a first class share portfolio. Income payments are quarterly whereas most unit trusts pay half yearly.

You can invest from £1,500 upwards and dealing is now daily. The initial charge is low—only 2%. If you hold shares you can exchange them for an investment in the Trust on advantageous terms.

For further information please send off the coupon below or telephone Bristol (0277) 52241, London 01-242 9367 or Edinburgh (031) 225 1168.

Estimated gross commencing yield on June 11th.

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☐ Tyndall Income Fund ☐ Tyndall Share Exchange

Name

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Not applicable to E.S.

Member of the Unit Trust Association

FT14/6/801F

RA Roberts, Adlard & CO. LIMITED

BUILDERS' MERCHANTS AND ROOFING SPECIALISTS

| Year ended 31st December | 1979 | 1978 | |
|--------------------------|-------------|-------------|--------|
| Turnover | £13,625,331 | £11,101,405 | up 23% |
| Profit before tax | £ 949,895 | £ 706,627 | up 34% |
| Profit after tax | £ 545,436 | £ 415,866 | up 34% |
| Earnings per share | 22.73p | 17.33p | |

Main points from the Statement by the Chairman, Mr. F. W. Elford:

Final dividend of 5p per share is recommended making a total of 7p.

The turnover to date is satisfactory but with increasing overheads, general inflation and the continuing recession in the construction industry it is difficult to foresee the outcome for 1980. Nevertheless, I feel that the calibre of our management and staff will enable us to give a good account of ourselves.

Copies of the Report and Accounts are available from: The Secretary, Roberts, Adlard & Co. Limited, Tweedy Road, Bromley, Kent, BR1 3NW.

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Mr/Mrs/Miss

Age

Address

Telephone

FT14/6

YOUR SAVINGS AND INVESTMENTS

Robert Cottrell looks at the new possibilities in traded options

An expanding market

IF YOU manage your savings actively and make regular use of a stockbroker, there is a fair chance that before long you will be bearing quite a lot about the traded options market.

The market, within the London Stock Exchange and dealing in the shares of listed companies, is set for two-pronged growth this year. First, it will enjoy much improved tax status as a result of changes announced in the budget.

In the past, options have been treated as a "wasting asset" for capital gains tax purposes. The effect was that even investors who lost money on options could still be liable to tax. Under the new system, it is expected that this anomaly will be removed.

The second boost will come from extended computerisation of dealing through the Stock Exchange's new "Topic" system. At present dealing is limited to options on buying shares in 15 companies. It is hoped that this will expand to options on both buying and selling shares in some 50 companies.

One obstacle to rapid expansion of the traded options market is the caution understandably felt by brokers about dealing in it. While the basic principles are fairly easy to grasp, options are in practice a highly technical and potentially highly risky business.

The Stock Exchange's traded options committee is therefore instituting an educational programme for its members, which will comprise seminars and audio-visual aids. The seminars begin next month, and will take in provincial centres as well as London.

One of the committee's longer-term hopes is that, with the growing community confidence enough to suggest traded options dealing to clients, the excitement and profit potential of the market will prove particularly attractive to the private investor with a modest sum of investable capital.

An option is a guarantee whereby a person undertakes to buy or sell a commodity at a specified price at or within a specified time, if required to do so.

The person who makes the guarantee, the "option writer," who buys it because he hopes that during the specified time, it will be more profitable to buy or sell at the option price than at the price prevailing in the free market for the commodity concerned.

The object of the option writer is, then, to sell a guarantee which seems an attractive prospect at the time it is offered, but never in fact becomes profitable for its buyer to exercise.

The commodities against which options are issued in the London Stock Exchange traded options market are the shares of certain quoted companies. The options have a maximum life of nine months. During that time, they may be bought and sold, or exercised, within the market.

An option which confers the right to buy is known as a "call," and is the only type of option currently available on the market. It is expected that "puts," which confer the right to sell, will be introduced later in the year.

An option represents a block of 1,000 shares. It is designated by:

- The name of the company against whose shares it is issued;
- The date on which it expires;
- The price at which the option can be exercised.

"GMH April 130" designates a call option against 1,000 shares in Grand Metropolitan. Until it expires in April, the holder is entitled to purchase the shares at 130p each.

Example 1:

The January share price of Smith Securities is 100p. The market is bullish. An option is written on Smith for September delivery at 130p and sold at a £50 premium, or 5p per share.

Two possible outcomes:

- If by the expiry date of Smith September 130 the Smith share price is below 130p, the option commands a premium of nil, since it is cheaper to buy the shares in the market. The option writer loses £50.
- If by the expiry date of Smith September 130 the Smith share price is 150p, the option commands a £50 premium, representing the amount saved by exercising the option over buying in the market. The option writer loses £150, representing the enforced discount at which he must sell the shares, less the proceeds of selling the option.

The investor may limit his potential losses—and gains—by "hedging."

Example 2: The hedge.

To return to Smith Securities. Let us say that at the same time as buying Smith September 130 the investor writes Smith September 140. Because the share price is less likely to rise above 140p than above 130p, then Smith September 140 can be sold at a premium of perhaps only 2p per share.

The two possible outcomes:

- If by September Smith stands below 130p, the investor loses £50. But he has received £30 from the sale of Smith September 140p.
- If by September the Smith price is 150p, the investor makes £150 on Smith September 130. But he loses £70 of that potential gain by his obligation to re-sell the shares at 140p, less the proceeds of selling the Smith September 140 option.

In Example 1, without the hedge, we saw a potential loss of 100 per cent against a potential gain of 300 per cent. In Example 2, with the hedge, potential profits are reduced to 50 per cent, but potential losses cut to 40 per cent.

When our investor wrote his own call, he had a sure supply of stock coming in from the option which he already held. This is called "covered" writing. The alternative, "naked" writing, is done without having the stock to underpin the option.

The importance of hedging one's position becomes clear when it is realised that the potential losses on writing naked calls are infinite.

Share prices have no ceilings; and if I have written a naked option which I am called upon to deliver, I will have to obtain those shares in the market no matter what the prevailing price may be.

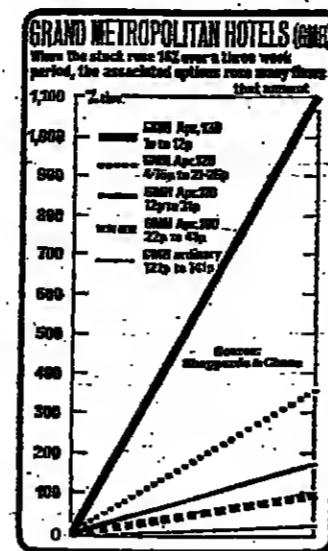
Where an option would be profitable if immediately realised, it is said to be "in the money."

Compare a purchase of 1,000 Smith Securities shares at 100p per share with the purchase of an option on Smith August 120 at 1p per share premium. The option has cost £10. If by August Smith has in fact moved up to 140, the shareholder has realised a 40 per cent profit.

But the option holder's profit is £130, since his option has an intrinsic value of £200, less the £10 it cost. The profit is, then, 130 per cent.

The chart below shows a real-life example of how such gains could have been made during an upward movement in Grand Metropolitan shares last year.

It is not possible to "understand" traded options without understanding the stock market itself. Options are an exciting supplement to, and not a substitute for, straightforward equity investment expertise. If you have judged the stock market correctly, you will make a lot more in options. And if you judge it incorrectly, you will lose the lot.



Thinking international

BONDS

TIM DICKSON

AMID THE current sustained excitement over UK gilts, investors should not forget international bonds. Indeed, with sterling still riding above £230 at the end of another jittery week, they could now seriously consider diversifying their fixed interest portfolios well beyond the UK's territorial waters.

The case for investing in gilts at the moment has been well rehearsed. Interest rates are at their peak and widely expected to move lower during the summer—a development which could leave investors with some worthwhile capital gains by the end of the year.

The prospect is obviously mouthwatering to many but a Martian investor might well be unimpressed. For if falling interest rates lead to capital appreciation on Government stocks, they could at the same time easily topple the pound from its current precarious perch. In other words, the nominal gains may look attractive but better real returns could be available elsewhere.

Before exchange controls were abolished, there was not much UK investors could do to hedge their currency risk. If they wished to invest in overseas bond markets they were forced to go through the highly volatile dollar premium—a severe handicap which defeated the purpose for all but the bravest.

Now that the barriers have been dismantled, however, the way is open to take up hitherto untapped opportunities, in particular the wide range of international bond funds based in the Channel Islands and other offshore havens. This week for example, the Royal Bank of Canada, the largest bank in Canada, has launched a new one, the RBC International Income Fund, incorporated in Guernsey and advised from London by stockbrokers Kitchin and Aitken.

The new fund which is to be denominated in dollars is a little unusual in that the prospectus gives the managers freedom to invest in "bonds and

equities, though for the moment the emphasis will be very much on bonds. The initial plan is to put about 75 per cent of the proceeds into UK gilts but to eliminate the exchange risk by buying currency through the forward facilities of the foreign exchange markets. Such "insurance cover" can only be bought at a price—roughly 1 per cent per week below the "spot" rate at the moment—but this policy is obviously preferred to the alternative of exposing the fund to a drop in the pound.

Given the vagaries of currencies and the increasingly sharp movements in interest rates around the world, individuals wishing to invest in overseas bond markets will certainly be advised to look for professional management. There are, in fact, a surprisingly large number of funds in the market.

Some have been around for years, though until the abolition of exchange controls they were unattractive to UK investors. These include well-known names, such as Garmore, Warburg, GT and Save and Prosper. Others like Kleinwort Benson and Guinness Mahon have joined the offshore ranks more recently.

These funds obviously differ in their objectives and yields. Most have the ability to invest in a fairly wide range of bond markets.

These Channel Island funds, like the handful of other offshore bond funds such as Eurobond Holdings NV which is based in the Netherlands Antilles, are not allowed by the Department of Trade actively to promote themselves in this country.

They are, however, more tax efficient than the three UK

authorised unit trusts launched at the end of last year by Abbey Life, GT Management and Save and Prosper. These are officially permitted to advertise but, because they have to pay corporation tax of 52 per cent on their income (because it is unfranked) they are less attractive to the UK investor.

A glance at the accompanying table illustrates why many observers in the UK feel the pound is currently overvalued. The column on the left shows the effective nominal exchange rates on a trade weighted basis, against a 1973 base of 100. The figures represent the actual appreciation or depreciation over the last seven years. The second column shows the real effective exchange rates of the same countries—i.e. the actual appreciation or depreciation of the currencies after adjustment for inflation as measured by wholesale prices of non-food manufactures.

The UK figure is, of course, the most spectacular, both reflecting high rates of inflation and demonstrating that on purely fundamental grounds sterling is much too high.

The importance of currency movements for international bond investors is illustrated by some figures produced by merchant bankers Kleinwort Benson. Over the years 1970-1979 the average annual rates of return without currency adjustment ranged from 10.3 per cent in the UK, to 7.8 per cent in Germany, 6.6 per cent in Japan, 6.5 per cent in the U.S. and 6.3 per cent in Switzerland. Adjusting for currency movements relative to sterling, however, the return in the U.S. was 6.9 per cent, in the UK 10.3 per cent, in Japan 10.6 per cent, in Switzerland 15.2 per cent and in Germany 17.4 per cent.

CURRENT EXCHANGE RATES

| COUNTRY | Effective rate* | Real effective rate* |
|----------------|-----------------|----------------------|
| United States | 98.4 | 97.3 |
| Canada | 82.6 | 92.8 |
| Japan | 109.5 | 93.2 |
| Australia | 74.8 | 84.1 |
| United Kingdom | 78.6 | 137.1 |
| France | 90.4 | 100.3 |
| Germany | 138.1 | 101.2 |
| Sweden | 98.2 | 100.2 |
| Switzerland | 163.9 | 104.4 |

1973 = Base 100

Two New Insurance Contracts from Garmore

For investors who require the advantages offered by insurance linked investment into unit trusts, Garmore Fund Managers are pleased to announce the introduction of their new Maximum Investment Plan and Single Premium Bonds underwritten by Lloyd's Life Assurance Limited.

These new schemes supersede those offered since we first entered the field of unit linked schemes in 1977. Under the new plans, no fewer than 17 funds are available for unit linking.

Any policies taken out under the previous schemes are unaffected by the new schemes and no action is required of existing policyholders. Their contracts will continue until maturity in the normal way.

We have prepared comprehensive booklets on the two schemes and investors, or professional advisers, requiring details should complete the coupon below and forward it to the address shown. Alternatively, we will be pleased to discuss any aspects of the schemes if you telephone us on the number below.

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£200,000,000 under Group Management

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Looking beyond Aunt Edith's City friend

INVESTMENT

TIM DICKSON

IF YOU buy shares on the recommendation of Aunt Edith's "nice man in the City," the chances are you don't keep balance-sheet ratios at the end of your fingertips. Come to think of it, even if you keep your own stockbroker for this purpose, you may do little more than simply glance at the glossy pictures in the company's annual report.

The resources for individual detailed research are obviously beyond the reach of most private investors but grand indifference, while, arguably human nature, can be a significant disadvantage in certain situations. One of these is takeovers, a point emphasised in a recent study by NOP Market Research of the bid last spring by Sime Darby for the

London-based Guthrie Corporation.

The bid, which first became public in January 1979, finally lapsed at the end of March after a long and at times heated battle with the Singapore-based Sime Darby eventually ending up with 43.5 per cent of Guthrie's ordinary shares.

The survey, designed to examine the sources of information used by Guthrie shareholders in assessing the merits of the bid, contains some interesting findings about the behaviour and age profile of private investors. Three quarters of those interviewed, for example, were aged 55 or more; only 5 per cent were under 40 and a quarter were widowed.

On the one hand the survey concludes that there is what amounts to an

unavoidable gulf between the small investor and those who work as professional advisers in the City. On top of their full time commitment to the job, for example, the professionals had much better sources of information—regular stockbrokers' bulletins and in many cases direct contact with the companies involved.

Partly as a result of these better channels of communication, the bid came as no surprise to the City—a factor which gave certain parties a

clear advantage over others. As the survey observes, "although brokers and investors in the City did not claim that they knew for sure there would be a bid, some felt certain enough to buy speculatively into Guthrie shares."

But if some investors are more equal than others, the level of interest among private investors does not seem particularly great.

Of the near 100 Guthrie shareholders interviewed for the survey only one had ever attended an annual meeting. Their main source of information was the Guthrie annual report—a document which they generally found to be satisfactory.

At least 81 per cent of the sample recalled receiving cur-

culars from Guthrie and Sime Darby at the time of the bid but 31 per cent did not read Sime's and 11 per cent ignored the written pleas from the Guthrie camp. Advertisements in newspapers were remembered by about 70 per cent, while more than half remembered reading press comment.

In ultimately deciding what action to take 75 respondents made up their mind on their own, three with the help of relatives, six together with a professional adviser, while 13 left it in the hands of their professional adviser.

The result of these deliberations was that 74 out of the 97 private shareholders neither sold their shares nor accepted the bid. A further 17 had sold some or all their shares in the

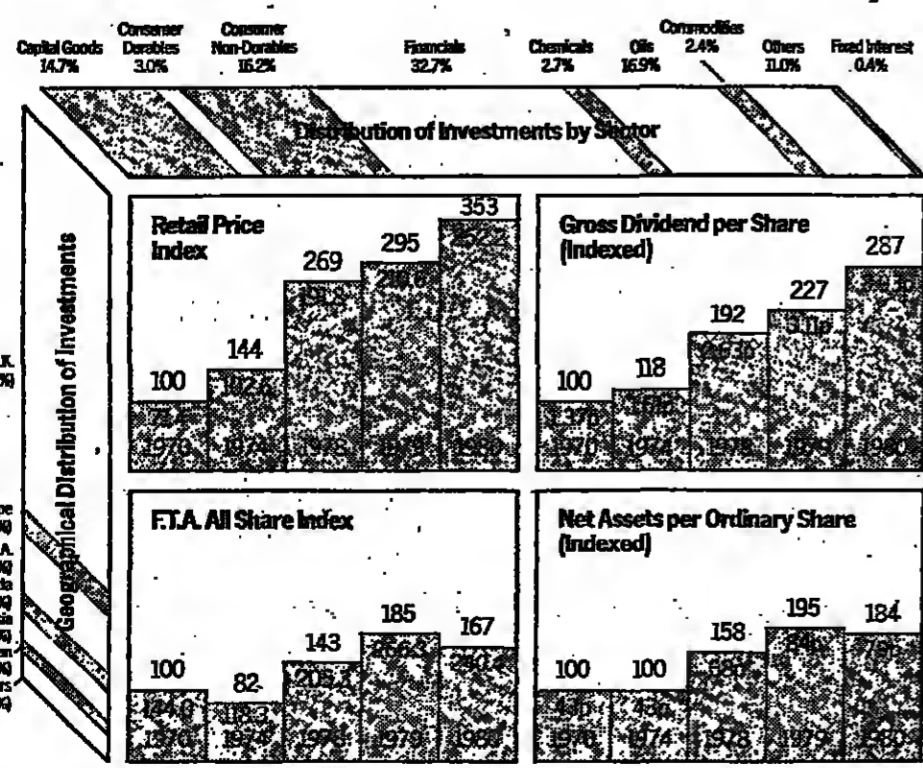
stock market but only two were known to have accepted the bid.

With Guthrie shares currently trading in the stock market at around 125p, against a high this year of 912p (in anticipation of a renewed attempt by Sime to wrest control), Guthrie shareholders were clearly right to reject the final offer of 523p per share last March.

It is instructive that a sizeable number of shareholders simply decided not to sell their shares from the start. Moreover, 52 of the 74 interviewed who did not sell their shares during last year's bid said they would not do so (presumably on any terms) in a future bid.

Those anxious to revitalise the ranks of private shareholders will be interested in these findings.

The Industrial and General Trust Limited



Total Assets at 31st March 1980: £188 million.

Whilst our income has been buoyant during the past year, aided notably by special dividends from Shell and other companies, a note of warning must be sounded about the immediate future. The collision between high inflation and monetary restraint, reinforced by a pound strengthened by

oil, is squeezing profits of manufacturers. Furthermore, current cost accounting will paint a disturbing picture of many companies. Dividend growth may well slow down, but we expect our company's income will continue to make satisfactory progress.



A member of the Touche, Remnant Management Group.
Total funds under Group management exceed £800 million.
The Report and Accounts can be obtained from The Industrial & General Trust Ltd., Winchester House, 77 London Wall, London EC2N 1BH.

Time to take some profits in gold shares

THE PRICE of gold bullion failed to establish itself above the psychologically important \$600 per troy ounce level this week, and the Gold Mines Index lost ground in sympathy. The metal's future price trend is impossible to predict, with any degree of confidence at this stage, with uncertainties on both sides of the demand/supply equation.

On the demand side, we have no way of knowing, for example, whether a decisive upward breach of the \$600 level would be interpreted by the important jewellery trade as a signal to stop waiting for prices to fall further, as the trade has been doing this year, and buy now before the price goes even higher.

As far as supply is concerned,

this week's annual report from the Bank for International Settlements showed that largely as a result of the much higher sales from the U.S. Treasury, the supply of gold to Western world markets in 1979 maintained the steady growth seen over the past few years.

As can be seen from the table, Western production was slightly down last year. North America, Papua, New Guinea and Spain accounted for the bulk of this decline, with South African production little changed at 703.4 tonnes.

There are those in the City, however, who fear a fall in South African production this year, not from what might be termed "natural causes," but from the intervention of politically-motivated people

with bombs. The recent attacks on the country's oil installations suggest a greater degree of sophistication than has been apparent before, even if only in the selection of targets. This makes South Africa's gold mines look vulnerable, and has had a markedly depressing effect on share prices over the past couple of weeks.

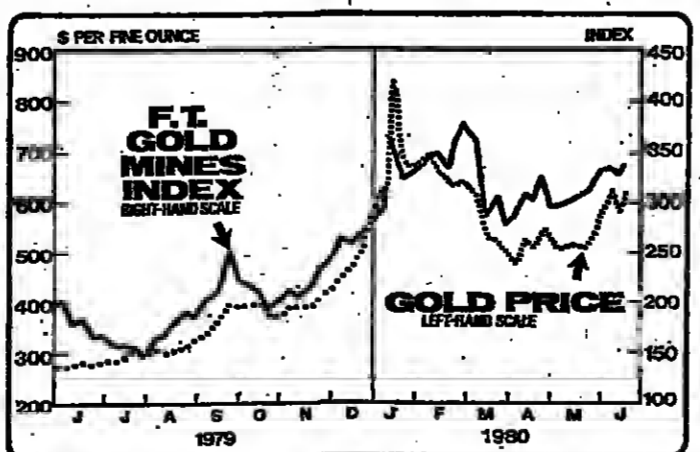
This week's batch of dividend declarations did nothing to buoy the market, either. There have been signs of sustained buying of the June dividend, but investors chose to follow over-optimistic market estimates of the likely levels of dividends, and to ignore the warnings of some of the companies that plans for increased capital spending would cut into the amounts available for distribution.

For example, Durban Roodepoort Deep and East Rand Proprietary, two mines in the Barlow Rand group, both paid less than the market was expecting. The declarations from mines in the Consolidated Gold Fields group were also generally considered to be a disappointment. The share prices suffered in consequence.

Nevertheless, this could well be a good moment for anyone who is concerned about political unrest in the country, or even anyone who is still smarting from the smaller than expected rise in dividend payments to consider taking profits.

The sale of all the South African gold shares in a portfolio might well strike the investor as a bit drastic, especially when all these fears are somewhat speculative, but a good case could be made for some profit-taking.

If the holder feels he should diversify away from South Africa, the retention of



| GOLD SUPPLY (BIS FIGURES) TONNES | 1977 | 1978 | 1979 |
|----------------------------------|-------|-------|-------|
| WESTERN PRODUCTION | 955 | 955 | 935 |
| COMMUNIST SALES | 450 | 450 | 290 |
| WESTERN RESERVE SALES | 195 | 320 | 605 |
| TOTAL | 1,600 | 1,725 | 1,830 |

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Today's rates 14%

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| Term (years) | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|--------------|----|----|----|----|----|----|----|----|
| Interest % | 24 | 24 | 24 | 24 | 24 | 24 | 24 | 24 |

Deposits and further information from the Chief Cashier, Finance for Industry Limited, 91 Waterloo Road, London SE1 8XP. (01-928 7824 Ext. 367). Cheques payable to "Bank of England & FFI".

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So whenever the engine is running the device is operating. As a result, you have full spring travel throughout your journey.

We also apply the same exacting Mercedes-Benz standards to roadholding, handling and safety.

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One last point, while we are reviewing the load space of the estate. The rear door is very cleverly balanced to save your muscles when you open it and your ears when you close it.

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But you can then stretch this area to 1.78 metres by a simple adjustment of the rear seat.

When you take the seat out completely you have a huge 2.03 metres.

And the maximum weight you can carry is a generous 560 kg.

Any one of which is just the car you're looking for if you need an estate but prefer to drive a Mercedes-Benz.



Mercedes-Benz

PROPERTY

Beside the seaside

BY JUNE FIELD

THE MAGIC of the Marina has added considerably to the value of property in Brighton. In the file I came across some particulars of around three years ago for "probably the finest Regency flat for sale at the Kemp Town end of Brighton," price £57,000.

This week I received the same details, almost word for word, except for the addition "adjoining the new Brighton Marina" and the new price tag, £120,000. With negotiations for building residential accommodation in the Marina still progressing (the Government granted permission for 850 flats in 1975 after a public inquiry), nearby "letting" accommodation is naturally much in demand. According to Mr. Pohn Perkins, the Marina Company's managing director, he is in touch with five developers interested in building housing at the Marina, but they are anxious to ensure that any proposals for further development on the site "integrate visually, aesthetically and operationally with the existing users."

A powerful attraction is being able to actually sail into Brighton—the marina is built out into the open sea, so boats are not cut off either by the tide or lack of water.

This means easy access to France too. I went from the marina to Dieppe last week, 100 minutes on the Seagat Normandy Princess which "flies" on foils some 9 ft above the sea.

The cost is normally £24 day return, but there is a special offer of £17.50 until June 30. Details from Mr. John Knight, sales manager, Jetlink Ferries, 18, Marine Parade, Brighton (0273 698241).

Try lunch at Aux Fins Gourmet, straight down the road from the barbour, 4 courses

with wine and service, about 30 francs. And if your French is good, spend 2 francs on the local newspaper, *Les Informations*, and see what property the immobiliers (estate agents) have for sale.

On offer there appeared to be a studio in the town, town centre, for £165,000, a petit apartment without a bath at Puy-Pasle considerably less, and a belle villa in the countryside, £850,000.

Back in Brighton one of the best views of the marina is undoubtedly from Marine Gate, the big, fairly modern block directly above it on Marine Drive. Bernard Thorpe and Partners were offering a top for two-bedroom apartment with a garage at £55,950 for a 57-year lease, and asking prices for three-bedroom flats are about £77,500. A newly converted two-bedroom, two-bathroom balcony flat facing south over the channel with a view towards the marina in the distance, 130 Marine Parade, part of a terrace of five Regency mansions, is for sale at £69,500 in the region of £69,500.

For a list of other properties available contact Mr. David Armour, Bernard Thorpe, 244 Eastern Road, Brighton (0273 684997).

One of the most atmospheric small developments in Brighton's Lanes was surely the recently completed Grosvenor Developments, Dukes Lane—the second phase of the delightful two-bedroom "maisonette-cottages," plus parking spaces, are for sale from £40,000 on a 99-year lease.

The residential units are above the shopping precinct created and shownroom site to provide a pedestrian link between Ship Street and Middle Street in the

heart of the Old Town Conservation area. Details: Mr. Robert Stiles, Stiles Horton Ledger, 6 Pavilion Buildings, Brighton (0273 21561).

The broad avenues and crescents off the sea-front of adjacent Hove are a reasonable haven of peace and tranquillity. Many of the handsome period houses are in multi-occupation, and Barratt Developments (Investments), which concentrates on conserving older properties, is refurbishing the Victorian Malvern House, 8 Second Avenue, along from the King Alfred Sports Centre (two sea-water swimming-pools, sauna, foam and pine baths, bowling, badminton, table tennis and physical culture).

The top of the avenue runs into Church Road, its boutiques, bistros and bookshops giving it a village atmosphere, and if you drive a bit further there is Sussex county cricket ground.

Malvern House is converted into 10 smart well-finished one and two-bedroom apartments, some of which have a patio or use of the garden, at prices from £21,500 to £30,000. Although they will not be officially launched until they are finished, probably mid-July, so much interest has already been shown, that there is a special one-day sales preview tomorrow (Sunday) 11.4 pm. for those who want first pick.

The apartments, calculated to appeal to first-timers and the "bachelor" professional person, as well as second home seekers and those getting ready to retire, come with the company's newest "purchaser package," which in effect adds up to an appreciable discount. It includes (subject to status), 95 per cent mortgage



Maisonettes in the recently completed Dukes Lane, Brighton.

facilities, where Barratt's make up any difference from a lower offer with a deferred loan at 12 1/2 per cent interest, which doesn't have to be paid back for five years, and the company will pay all your expenses—building society survey fee, stamp duty, legal costs, and registry fee etc.

For more information, either go along to the preview and see Mr. David Pretty, marketing director, or contact him next week at Barratt, Box No. 5, Barratt House, 668 Hiltch Road, Luton (0582 31181).

Mr. David Goldin, Fox & Sons, finds that the best method for selling houses in the Brighton area is by auction, and the last half dozen or so attracted so many people that the auction room wasn't able to hold everyone who came along. For details of houses in Hove and Brighton,

contact Mr. Goldin at Fox's, 117-118 Western Road, Brighton (0273 739201).

Six houses go for auction at Hove Town Hall on Thursday, June 26, on price guides ranging from around £30,000 for a cottage-style bungalow that needs doing up, in Ovingdean, towards the Downs, to a handsome 6-bedroom, 2-bathroom house with its own sauna, swimming-pool and solarium, in an acre of garden in Hove's Tongdean Road, which is expected to make about £300,000.

Many of the roads around Fox's main office contain small refurbished terraced houses and 21 Borough Street has all the ingredients of a desirable two-storey, 3 bedroom town cottage—bow-fronted, sash windows, front porch, tiny fenced front garden, and a back patio, £29,995 freehold.

GARDENING

Knowing roses

BY ARTHUR HELLIER

THE WARM weather suited greenflies just as well as it suited plants (where they could be watered adequately) and of course, it was the roses that were the first to be attacked. Why they are so susceptible I do not know but if anyone thinks that this is a modern affliction caused by excessive breeding I commend them to *The Book of the Rose* by Michael Gibson just published by Macdonald General Books, price £10.95. He quotes Shirley Hibberd, one of the great Victorian garden writers, as saying, under the heading June in the Garden, "Aphis will probably abound out of doors and the best remedy will be water. Fly them with the full force of one of Reid's or Warner's engines every evening and if this does not dislodge them, resort to the use of tobacco water."

It was from these early beginnings that gardeners learned to use more scientifically prepared doses of nicotine and it was only the deadly toxicity of this insecticide plus its dependence on fairly high temperatures for full efficiency that made it yield to modern synthetic chemicals such as dimethoate, malathion, pirimiphos methyl and the remethrin.

Victorian roses seem to have been far more susceptible to polluted air than our own or maybe we have not the faintest idea just how polluted industrial air could be anywhere near those "Satanic mills."

Anyway Mr. Gibson has another fascinating quote from Hibberd who is in favour of dwarf roses for town gardens on the score "that in very smoky places they may be covered with bell glasses."

When the neighbouring brewery sends out its blackest clouds... when the floor cloth factory diffuses a more than ordinary amount of gaseous poison, then the bell glasses would screen the

roses from the worst of the black and keep a minister about them beneficial to their foliage and swelling blooms, and the glasses could be removed at night, early morning and at such other times as the nature of the district might warrant."

Since Hibberd also recommends that roses be grown "fifty in a batch," but ten clumps of five may have a very paltry appearance, unless the Rosarium is on a small scale as to be beyond the reach of criticism, the labour involved in placing and removing the bell glasses must have been enormous and the appearance like a tented encampment for an army.

This is a fascinating book and Mr. Gibson has succeeded in making it quite different from any other work on roses I have read. Where most authors are content with a brief opening chapter on the history of the rose followed by long detailed chapters on cultivation and finishing with lists of recommended varieties, Mr. Gibson follows a totally different plan.

This is a big book with many original colour plates by Donald Myall but we do not reach cuttings until page 239 and it is all over by page 285, including well illustrated sections on pests and diseases, container grown roses and hybridising.

All the rest of the book is concerned with history, great roses and rose gardens, including their making, the use in them of the very varied types of rose and descriptions of some of the most famous rose gardens throughout the world. Do not imagine from this that

Mr. Gibson is an historian who is not really interested in growing roses. He is, in fact, a very ardent rosarian, a council member of the Royal National Rose Society and a highly successful cultivator of roses. It is just that his profession (he is editor-in-chief of practical books for one of the big publishing houses) has taught him to write concisely.

So, in those 31 pages on cultivation, you will find everything you need to know in order to grow good roses yourself including, should you decide to try your hand at "breeding," an admirably succinct paragraph on chromosome and the way in which their numbers may block your progress unless you are able to circumvent them.

I find this section of Mr. Gibson's work particularly encouraging for it confirms a thought that has been much in my mind recently. Amateurs, I believe, are steadily taking over from professionals the breeding of a good many plants.

I do not mean annuals which require enormous resources to produce significant results, nor fruits or vegetables where the rewards of success justify considerable capital expenditure, but in a great many specialised fields including the smaller, non-commercial daffodils, some types of lily, delphiniums, irises and michaelmas daisies.

The British garden at the Montreal Florale, about which I wrote briefly a few weeks ago, won the third prize in the Prix d'Honneur. First place went to the French garden and second to the Italian. Both of which were officially sponsored by the appropriate organisations in those countries. Only the British garden was an entirely private enterprise affair.

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Occupying a fine elevated position in one of Hove's finest roads, convenient for both the station and town centre.

Principal bedroom suite with bedroom, dressing room, luxury bathroom, separate shower cubicle, second bedroom with bathroom, an suite, 4 further bedrooms and additional bathroom, 4 excellent reception rooms, cloakroom, recreational complex with SWIMMING POOL, solarium/games room, sauna, changing rooms, the first central heating, large garage with standing space for additional cars.

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AUCTION DATE—THURSDAY 26th JULY, 1980

56 South of England office in Sussex, Hampshire, Dorset, Wiltshire, Somerset, Devon, Cornwall.

مكنا من الشرح

.....

A high-contrast, black and white photograph showing a dark, elongated object, possibly a vehicle or a structure, against a lighter, textured background. The object is mostly black with some internal details visible through openings. The background has a grainy, speckled appearance.

Robert Burns birthplace, Alloway.

BY FEONA McEWAN

commenced the following stanzas.

Birth is as good a place to start as any. In Alloway you'll find the "and clay beginn", the simple thatched cottage with its white washed walls which was built by William Burnes for his family, with his bare hands and where son Robert was born 1791.

It was in this humble dwelling that William who knew the worth of education would read Shakespeare and the Bible to his sons and his wife would sing folk songs that were to influence the young poet. In this home where windows were mere holes in the wall, the only form of natural heating was the fire, the natural warmth of the horse, the pig and two cows who lived in an adjacent room.

A harsh beginning to what was a harsh existence.

In the nearby museum you can browse through assorted Burnes memorabilia which includes an intriguing collection of manuscripts and letters. A poet of the people Burns understood was observing the lot of the common man with razor sharp perception and often humour, but untutored he was not.

A stone's throw away is the Laod O' Burns Centre, the newest of the many Burns landmarks. In this contemporary building, you can see a lively 25-minute screen presentation of the poet's life and an exhibition of places associated with him.

Just up the road at the tiny village of Tarbolton is the seventeenth century Bachelor's Club where Robert Burns learnt to dance in an attempt to "give my manners a brush" and where he founded a debating

society, Sam Hay the engaging caretaker can tell many a canny tale about the young blood and the society he ran whose membership rules insisted member "be above anything dirty or mean; and must be a professed lover of one or more of the female sex."

Moving on to Mauchline, you'll come across the house where Burns met and finally married his long-lost love Jean Armour who had by then borne him twins and was expecting another. Later this steadfast lady took in a child he fathered elsewhere and brought it up as her own. Nearly you can enjoy a drink in the happily titled, Pussie Nansie's Tavern which features in the cantata The Jolly Beggar.

In a final attempt at scratching a living from farming, Burns took over Ellisland Farm in 1788 and met James Dumsfries, whose unyielding soil was finally to break his health. However, here he wrote some of his finest work, including Tam o' Shanter. Live-in caretaker Jean Stevenson is an immensely entertaining lady who welcomes visitors anytime.

After three years at Ellisland, Burns moved for the last time to Dumfries where he worked as an Exciseman earning £75 a year. Five years later in 1796 he died aged 37.

Starting today and running until June 15 is the annual Robert Burns Festival which offers a variety of entertainments including music, poetry, exhibitions, song and laughter. Details from the Scottish Tourist Board, 23 Ravelston Terrace, Edinburgh; Land O' Burns Centre, Alloway, Ayr.

A couple of mosques and one or two ancient little churches survive from the pre-central Sofia dates from the first town plans drawn up in 1880 and later, which swept away the higgledy-piggledy streets to create a fitting capital for the new state.

St. Sophia itself, after various vicissitudes, has been restored to its original impressive simplicity in mellow red brick, in marked contrast to the elaborate styles of the older Alexander Nevsky Memorial Church. This major Sofia landmark houses a very fine collection of icons and was built early this century to commemorate Bulgaria's gratitude for Russian help in gaining independence from Turkey. One tends to forget that the deep fraternal feelings between these Slav cousins pre-dates the Bolshevik Revolution by nearly half century.

In summer, Sofia is a place for strolling through traffic-free streets and parks, and dawdling over a potent pastica or thick Turkish coffee in the open air cafés; or heading out of town to Vitosha, which is not one but a series of mountains on the city's doorstep. With varying proximity, mountains rear up from the Sofia Plain in all directions and, among them, Bulgarian history was written large, long before anyone dreamed up the Black Sea resort where most visitors today get their wine and often get their impression of what Bulgaria is all about.

In 1981, Bulgaria will celebrate the 1400th birthday of her existence, in one form or another, as a state, with a full programme of events.

Of Veliko Turnovo, capital of

the major international trade fairs. Its commanding position over the Thracian Plain made this the Pulpudeva of the Thracians, the Philippopolis of the Macedonians, the Trimmion of the Romans and the Filibe of the Turks, and there are traces of every period if its hectic history.

Borovets is the other major mountain centre, away to the north-west in the Rila Mountains. The Rila Monastery is the most famous of several monasteries that became strongholds of Bulgarian culture during Ottoman rule.

Several more are tucked away in the Iskar valley area north of Sofia, a rather little known and scenically glorious region of precipitous rock formations. Far better known is the Valley of Roses, on one of the routes from Sofia to the Black Sea, a broad funnel between the Balkan Range and the hills of Sredna Gora. Millions of roses bloom here in May or early June, though to see the harvesting you must be up as early as the rose pickers: between dawn and about 8 a.m.

Koprivnitsa, famous for a bloodily abortive uprising against the Turks, is one of the prettiest places in Bulgaria, about 100 km from Sofia in the Sredna Gora mountains. Balkan tourists are now marketing painting and photography holidays there as part of a drive to wean at least some discriminating visitors from the coast.

Further information: Bulgarian National Tourist Office, 126 Regent Street, London, W1.

SYLVIE NICKELS

TWO FEATURES give away the Alfausid's age. Its styling is seductively curved, not trendily angular. And it looks as though it should be a hatchback, but isn't. General Motors paid it a considerable compliment by making their new Opel Kadett/Vauxhall Astra look just like the Alfausid in profile. The Alfausid has sharp edges and comes in a hatchback version as well as a saloon. Rising nine years the Alfausid may be, but it has handling, roadholding and sheer *brío* that puts it ahead of nearly all its upstart competitors.

Over the years the engine size has gone up from the original 1,196 cc to a choice of 1.3 or 1.5 litres and a five-speed gearbox is now standard. The Alfausid 1.5 i am driving at the moment puts out a healthy 94 horsepower at a modest (for Alfa) 5,800 rpm and thrives on an endless diet of revs. The fairly close ratio gearbox gives urgent acceleration (0-80 mph in just under 12 seconds). Motorway cruising is unfussed at 70 mph and fifth gear can be used to be used at 28-30 mph in town.

Both gearshift and throttle feel just a little sticky at low speeds but such minor aggravations are forgotten on the open—and especially the winding—road. The Alfausid flies round corners without roll or twitchiness and appears to have unlimited reserves of adhesion. Its handling is vice-free, its ride is levelly comfortable, the steering feels sharp and braking powerful.

Alfa Romeo claim a maximum speed of 103 mph. If one can resist temptation, the fuel con-

new light clusters front and back; and a protective plastic moulding along the sides. The badge on the open boot lid no longer clouts the rear window (it is set in a plastic surround) and the interior has been completely redone in colour-matched cloth trim and carpeting. By taking out the rear seat armrest, this and fishing rods can be carried inside instead of being vulnerable to thieves on a roof rack.

Alfa Romeo say that great attention has been paid to rust-proofing and improving paint adhesion—a weak point on Alfa-suds of a few years ago. The finish on the test car is good.

The price is £4,300, which includes free routine service parts for the first 34,000 miles, a three-year, 60,000-mile breakdown recovery service, with three days of car hire. This 1.5 litre AlfaRomeo, smaller engine—but otherwise almost identical, costs £5,100.

Cruise control

So far, all the correspondence I have had about cruise control ("Is it always safe? I asked two weeks ago") has been from enthusiastic supporters.

The most interesting is a letter from Mr. M. J. D. Hurm, of Associated Engineering at Leamington Spa, the European pioneers of cruise control through their Econocruise system. Naturally enough, he entertains no doubts at all that it is a major benefit to many motorists.

He says that a properly engineered cruise control system reduces driver fatigue, thus enhancing safety. It leads, he

of owners of Econocruses cars were satisfied or not. 30 per cent would definitely, 15.16 in their next car, and 91.16 per cent would recommend it to other motorists.

None of the owners had mentioned a similar problem to a motorist I wrote about two weeks ago who thought he might have avoided a serious accident if he had switched off his car's cruise control when feeling drowsy.

This motorist did not say that he thought cruise control was dangerous, as some correspondents seem to think. Having used it extensively, he was well aware of its advantages. He merely said that he would never use it again, and he asked if the makers of cars fitted with cruise control had ever considered warning owners that should they feel less than fully alert, they should switch it off.

Mr. Hurm, of Associated Engineering, says that if any driver finds his state of alertness dropping, he should take his foot off the accelerator. The use of cruise control could tip the balance, he should stop the car. One can't possibly disagree with him.

But what I—and I think many readers—would like to know is this: Does the device help the driver to stay alert by removing responsibility for controlling the car's speed; or does it relax him so that his attention might wander?

I'm no disciple of Sir Alec Issigonis, who is once said to have answered criticism of the Mini's uncomfortable hunched-back driving position by saying it would help to keep drivers

qui

The Affair

BY STUART MARCHANT

TWO FEATURES give away the Alfasud's age. Its styling is seductively curved, not trendily angular. And it looks as though it should be a hatchback, but isn't. General Motors paid it a considerable compliment by making their new Opel Kadett/Vauxhall Astra look just like the Alfasud's profile. Except that it has sharp edges and comes in a hatchback version as well as a saloon. Rising nine years the Alfasud may be, but it has handling, roadholding and sheer brio that puts it ahead of nearly all its upstart competitors.

new light clusters from and back, and a protective plastic moulding along the sides. The badge on the open boot lid and the large outside mirror (hinged in a plastic surround) and the interior has been completely redone in colour-matched cloth trim and carpets. By taking out the rear seat armrest, axles and fishing rods can be carried inside instead of being vulnerable to thieves on a roof rack.

Alfa Romeo say that great attention has been paid to rust-proofing and improving paint adhesion - a weak point on Alfàs of a few years ago. The

of owners of Echnocruse cars were satisfied or happy. 30 per cent would definitely like to test their car, and 91 per cent would recommend it to other motorists.

None of the owners had mentioned a similar problem to the motorist. I wrote about two weeks ago who thought he might have avoided a serious accident if he had switched off his car's cruise control when feeling drowsy.

This motorist did not say that he thought cruise control was dangerous, as some corre-

Over the years the engine size has gone up from the original 1,198 cc to a choice of 1.3 or 1.5 litres and a five-speed gearbox is now standard. The Alfa Romeo 1.5 I am driving at the moment puts out a healthy 104-hp horsepower at a modest (for Alfa) 5,900 rpm and thrives on an endless diet of revs. These fairly close ratio gears give a very urgent acceleration (0-40 mph in just under 12 seconds). Motorway cruising is a breeze at 70 mph and fifth is flexible enough to be used at 23-30 mph.

The price is \$4,300, which includes free routine service parts for the first 24,600 miles and a year's free breakdown recovery service with three days of car hire. The 1.3 litre Alfa Romeo, smaller and lighter than the Renault 5, is engineered—but otherwise almost identical—costs \$4,100.

Mr. Hurns of Associated Engineers says that if any driver finds a truck that is as marginal as the one he drove, he should stop the truck and get it out of the highway.

Both gearshift and throttle feel just a little sticky at low speeds but such minor aggravations are forgotten on the open road—and expected. Alfa's steering is a little stiff at the corners without roll or twitchiness and appears to have unlimited reserves of adhesion. Its handling is vice-free. Its ride is levelly comfortable, the steering razor sharp and braking powerful.

Alfa Romeo claim a maximum speed of 103 mph. If one can resist temptation, the fuel consumption is better than 30 mpg on a journey—the constant 75 mph figure is 32.5 mpg—but a realistic average for a press-runner would be nearer 27-28 mpg.

porters. By far the most interesting is a letter from Mr. M. J. D. Hurn, of Associated Engineering at Leamington Spa, the European pioneers of cruise control through their Econocruise system. Naturally enough, he entertains no doubts at all that it is a major benefit to many motorists.

He says that a properly engineered cruise control system reduces driver fatigue, thus enhancing safety. It leads, he claims, to a probable reduction in fuel consumption of some 10 per cent — he concedes that the amount depends on previous driving patterns —, and says it ensures that one complies with

But what I—and I think many readers—would like to know is: This does the device help the driver to stay alert by removing responsibility for controlling the car's speed, or does it relax him so that his attention might wander?

I'm no disciple of Sir Alec Issigonis, but I am glad to see his unanswered criticism of the Mini's uncomfortable, hunchback driving position by saying it would help to keep drivers awake. I would go for automatic transmission for 90 per cent of the motoring and for conveniences like power steering and air conditioning all of the time.

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An eventful U.S. Open

GOLF ficient, and the green still birdies at the first and third holes to be no less than five strokes ahead of him.

SENSEATION followed sensation on the lower course of Baltusrol Golf Club in Springfield, New Jersey, as the second round of the 80th U.S. Open championship, a record sixth to be played at this club, unfolded in glorious sunshine. The early indications were that the golf course was extracting a considerable revenge for her humiliation yesterday.

In returning to the great deeds of yesterday when both Jack Nicklaus and Tom Weiskopf shattered the former's course record by two strokes by scoring seven under par 63 each, one can never remember such a burst of fantastic scoring. And the favourite Tom Watson's hole in one, the seventh of his career, and his second in competition, was completely overshadowed. Watson holed an eight iron shot at the 282 yards fourth hole.

At the first tee on Wednesday, without exception, the players forecast that par of 280 would probably not be beaten on a course that is so hard in terms of length at 7,078 yards—par 70 with its rough, so tough.

way by no more than a yard into the semi-rough to the right at the 470 yards, par 4 sixth hole.

His ball was scarcely visible, and when he hacked at it, it squirted away to the right of the green mercifully coming to rest on deep grass trodden flat by the many thousands of spectators who have already witnessed the fireworks here.

Weiskopf hit a terrible pitch just beyond the bunker in front of him into the deepest possible grass, two feet short of the putting surface, and from there snatched the ball over the green to drop two strikes to par.

The seventh hole exactly the same length as that which precedes it, and Weiskopf could hardly have played it better from tee to green with a towering drive past the angle of the dog leg and round the corner to the right, and a glorious long iron shot 15 feet to the right of the hole, which was cut immediately behind a bunker, in the shallowest section of the green.

Weiskopf was three feet too strong with his birdie putt and missed the return.

Thereafter he pulled himself together with great courage, because by this stage he knew he was in a bind.

Nicklaus, who had been

ever from the greens for the next five holes, despite the excellence of his approach play and the thundering drive he was hitting. At last he was rewarded at the 393 yards 15th hole where the pin was tucked just 15 feet behind the right hand bunker.

Weiskopf struck a fine second shot four feet from the hole and made his birdie, but as I left him: once again he got into trouble, and at the moment with only one hole to play, has just dropped shots at the 18th and 17th holes to be only three under par for the championship.

But the course has also got the better of Nicklaus. He has dropped a stroke to par at the sixth and the 11th holes and two more at the 12th to be five under par. Four holes to play, as is Fergus with seven holes to play.

These two have the lead by one stroke from Hayes, who has two holes to play, and by two shots from Aoki who has four strokes to play and Hinkle, who is through seven holes of his second round.

At the moment, Fergus and Aoki are the only two players on the golf course to be under par for their second rounds, and

leaders were three strokes ahead of Keith Fergus, Mark Hayes and Lon Hinkle, and four ahead of Ray Floyd, J. Haas and the black golfer Calvin Peete.

At 68 came Mark Lye, second favourite Lee Trevino, the 1978 champion Andy North, and the leading Japanese golfer Isao Aoki. There were seven more players who sub-par scores, and the defending champion Lewin watched par of 70 alongside many others.

So the stage was set for an

before the dew had dried this morning between Nicklaus, who was due to start just four groups behind his great friend and rival from Columbus, Ohio, the often tragic Weiskopf.

I went out with the latter, and was almost immediately rewarded when the elegant Tom rammed in a 30 foot put for a birdie three at the 465 yards opening hole. But both Weiskopf and his partner Lesno Walskopf had to part with Nicklaus' Puzzy Zeebo. The week three cuts on the second green to start a stroke.

There was scarcely a breath of wind, the fairways were man-

[illegible]

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HOW TO SPEND IT

by Lucia van der Post



Clean-cut, sculptural head by Eduardo Benito for Vogue, October 1928

COVERED IN STYLE

IT'S COMFORTING to realise that even so eminent a magazine as Conde Nast's Vogue was storing a treasure-house of art in its cellars without quite realising the value of it all. Ever since Vogue turned what had been a society weekly into a magazine that became the epitome of elegance and style in 1909, it adopted a policy of commissioning distinguished artists and designers of the time to create covers for the magazine. It wasn't until about 10 years ago that it began to realise quite what an amazing store of graphic art it had when Jan Pienkowski and Angela

Holder first approached Conde Nast and asked permission to turn some of those old covers into posters. After much effort and research Conde Nast has published in full colour all the covers produced between 1920 and 1980 as well as a large selection of those that went before and came after. The result is a fascinating visual treasure-chest of some of the most distinguished graphic art of the times.

From the highly decorative work of Helen Dryden, through the ravishingly pretty covers of Harriet Meserole and onto the almost Braque-like images of Zellner's cover, we come to the strong, economical images created by Benito, one of which is shown left.

As William Packer, our own art critic, who provides an informed and illuminating commentary on the artists and the influences at work puts it, "This is before all else a picture book: a celebration of the splendid material for its own sake." That is indeed what it is—a glorious book to dip into time and time again.

The Art of Vogue Covers 1909-1980 is published by Octopus at £8.95.

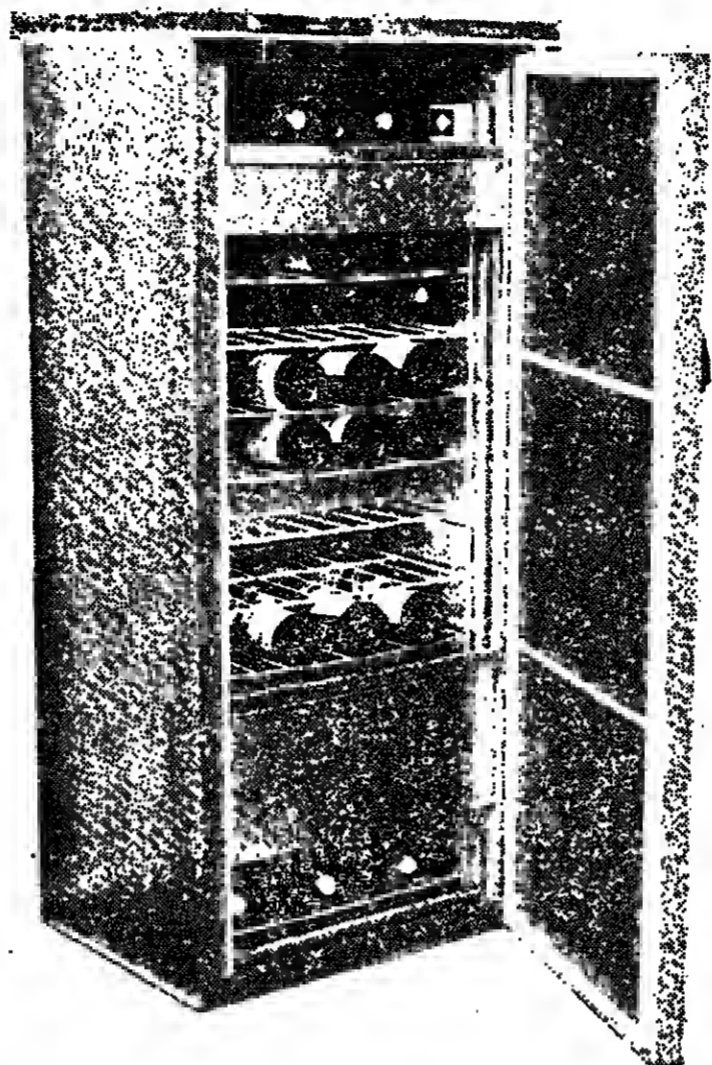
Keeping cool

WHERE, IF you are fond of wine and tend sometimes like just before a budget or when you come upon a wine too good to miss) to buy in bulk, do you keep all those bottles? If you are very lucky you own a cellar—but more probably the walls are damp-proofed and therefore it isn't suitable at all. Some people try basements, or under the stairs, but these aren't really the right sort of environment either. If you are really in the investment buying stakes you can persuade a wine merchant to store it for you, but most of us like to keep reasonable stocks of wine at home and then fret about whether it is at the right temperature and what is happening to it in those years when we fondly hope it is maturing.

The French, needless to say, have come up with an answer. After all many of them live in apartments where the facilities for storage are even worse than in most of ours. The French call it "un cave d'appartement" but it is really an insulated cabinet, which has three separate compartments for keeping wine at suitable temperatures.

The cabinet is called the Eurocave and has three different compartments providing temperatures for ageing 10 to 12 deg. C or 50 to 54 deg. F, for serving red wine (14 to 18 deg. C or 56 to 64 deg. F), and for chilling white wines and Champagne (4 to 8 deg. C or 39 to 46 deg. F).

For those who want to be sure that their fine wines are kept at what are scientifically recommended temperatures the Euro-



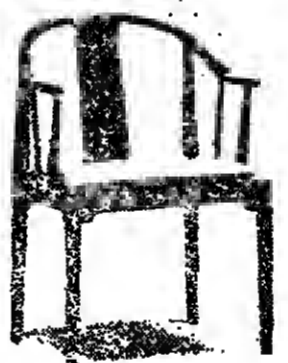
cave would seem to be a good solution. The version with the compartments, above, holds 100 bottles and costs £425 (plus VAT). There is another version which has only the conservation temperature (10 to 12 deg. C or 50 to 54 deg. F) but holds 140 bottles and that costs £375 plus VAT. Finally there is a 65 bottle model which fits into

a kitchen worktop, offers the three different temperature zones and costs £295 (plus VAT).

All versions, wine owners will be happy to learn, have locks. If you're interested in the Eurocave, write to Eurocave, 77 Heath Road, Twickenham, Middlesex. Telephone 01-891 4313.

Postscript

A COUPLE of weeks ago when I wrote about current Danish designs I was sad not to have been able to find a British stockist for the famous "China" chair designed by Hans Wegner and photographed here. Since then I have discovered that James Grantville Furniture of 5 Sedley Place, Woodstock Street, London, W1 sells it in solid natural cherry wood with a loose leather cushion for £393. James Grantville also sells many of Fritz Hansen's designs, as well as those of the late Arne Jacobsen, Oscar Wollens of 421 Finchley Road, London, NW3 also has a large selection of Danish furniture and can order other designs if a customer wishes.



Saucy Days

BY JULIE HAMILTON

THE MORE summer advances the more the inclination to slave over a hot stove recedes. The need now is for easy meals, quickly prepared. Cold meats and simple barbecue grills come into their own. The problem is dullness and the solution is a good sauce.

Cold chicken, grilled sausages or chops, salmon, cold turkey and ham can all be improved by the right sauce or a special dressing for the accompanying vegetables or salad.

Summer Sauce

All you do is put in your blender the following ingredients, using more or less of any of them according to taste: 3 to 5 cloves of garlic; 1 heaped teaspoon strong French or English mustard; 3 tablespoons tomato ketchup; 1 tablespoon tomato purée; 1 heaped teaspoon sugar; 1 level teaspoon salt; some pepper; 2 or 3 large sprigs mint; 1

I have in my fridge at this time of year an almost permanent supply of an improvised barbecue-type sauce that I call the Summer Sauce.

It can be eaten with any meat, hot or cold, and is particularly delicious spread liberally on a baked potato or covering sliced, hard-boiled eggs as a side salad or a starter. Sausages are transformed when dipped in it. Summer Sauce is simple to make and will keep as long as the family allows.

Chilli Sauce

For those who enjoy really-hot flavours, it is easy to prepare this Chilli Sauce. It is almost a pickle and goes very well with cheeses like Cheddar, Edam, double Gloucester or Leicestershire. It also transforms a risotto or any dish you care to "hot up."

Here is a sauce that can be used with (almost) any vegetable, but especially with beans, broccoli, carrots and greens. Having cooked the vegetable in well salted water, drain it and retain the water for the sauce, keeping the vegetable warm while you make it.

For Vegetables

For four people, make a roux with one ounce of butter and once ounce of flour. Slowly add the vegetable stock until you have a creamy consistency. Take one egg yolk and combine it with one tablespoon lemon juice and three tablespoons cream. Add to it two tablespoons of the hot sauce, mix well and then mix it into the

apric parsley; 8 to 10 Spanish stuffed olives; a few shakes soy sauce; a dessertspoon or two of white wine vinegar or lemon juice if preferred. Liquify all these ingredients, slowly add olive oil until you have a pale pink creamy consistency. You will probably find you need a quarter pint of oil if not more. Store in a cool place in airtight jars.

Chilli Sauce

3 oz salt; 1 teaspoon vinegar; 1 dessertspoon olive oil. Place in a blender or food processor and reduce to a pulp. Store in airtight jars. This sauce is at its best when it has had a chance to mature for at least one month. It will keep for years. Red chillies are best, purely for aesthetic reasons.

Sauce Ralfort aux Noix

This is a horse-radish and walnut sauce, a most original accompaniment to fresh salmon or salmon trout, either hot or cold. A friend of mine recently served it, having read about it in Elizabeth David's French Provincial Cooking. But she took short-cuts (not recommended by Miss David) because she had problems finding fresh horse-radish.

For four people take 2 oz skinned and skinned walnuts (to skin them, plunge them in and out of boiling water and rub off skins as soon as cool enough to handle); 2 tablespoons freshly and finely grated horse-radish; 1 teaspoon sugar; salt to taste; juice of 1 lemon; 5 oz thick cream; 1 double cream that is a few days old or very lightly whipped.

Chop the skinned walnuts quite finely and very gently stir them into the cream. Add the horse-radish, salt and sugar. Last of all carefully add the lemon juice. If you can buy (or grow) fresh horse-radish, you will need to let it lie in cold water until it is quite firm, then peel it before grating. If you are unable to find fresh horse-radish use the variety packed in jars without vinegar. But it is well worth a hard hunt for the fresh root.

Fruity Sauce

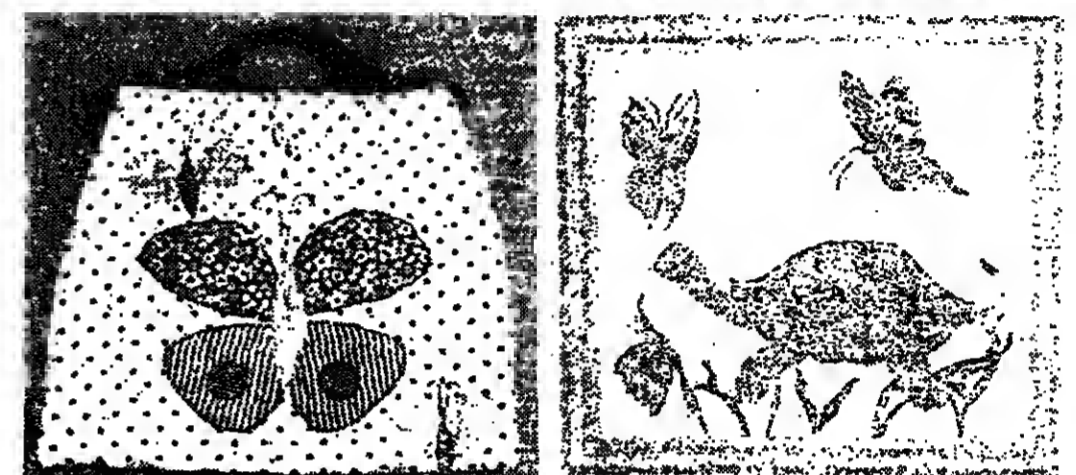
A hot fruit sauce over plain vanilla ice cream is quick, simple and enervating. The method is the same for the juice of any fruit you choose but my favourite is orange and lemon. For four people you will need the juice of 1 lemon and 2 oranges; 1 oz butter; 1 oz caster sugar; a pinch of cinnamon and a pinch of nutmeg. Melt the butter, add the juices and spices. When nearly boiling, add the sugar, stirring all the time. When the sugar has dissolved, boil for a minute or two to reduce and thicken slightly. Serve piping hot. You can of course add to it white wine or sherry or even a liqueur. But do not boil it after adding the liqueur as it will evaporate and hardly taste.

EXIT



Prints for all

EBURY (Fine Art) is a relative newcomer in the world of original prints and lithographs but already it is having a great success. Adrian George is among the most successful of the artists whose work has been specially commissioned and his lithograph, *Two Mirrors*, is currently one of the best-selling prints on the market. Shown left is an etching by the same artist. Cinema, originally commissioned by Ebury for the occasion of the Royal Film Performance in aid of the Cinema and Television Benevolent Fund. Cinema is limited to an edition of 100 and a few copies are left at £80 each but for those who are interested in buying this form of art, Ebury has several other distinguished artists working for them including Patrick Proctor, Alan MacKenzie-Robinson (his *Pineapple Feast*, a row of colourful clothing, is marvellous), Laurence Mynott (I have bought his *Pink Rose* at Charleston, which shows how much I admire his work) and several others. You can see the prints at Ebury, 39, Ebury Street, London, SW1, as well as an eclectic collection of glass (Lalique and Orrefors among others), small furniture (some tables with elephant legs), Chinese bronzes and porcelain, all for sale at what seem to me very reasonable prices.



All in stitches

ANNABEL JOHNSTON and Lucile Wareing are two friends who live in the country, discovered a mutual interest in designing and making individual attractive things for the house and decided to launch their products together. Annabel designs and makes hand-applied cushions, bags, quilts and pictures—you may either buy some of her designs ready-made or commission her to create something special for your own house or family. Best of all she loves doing quilts for children but there are also cushions that use old and new lace and applied circular table cloths. Photographed above is a tapestry bag, which would make an ideal summer bag. Made of cotton quilting and lined, it is in turquoise and green on white and has large applied butterflies. The wood

handles are painted and this version is £12 1p+p 50p). For those who wonder just how much of their everyday paraphernalia it will be able to take, it measures 15 in by 16 in. Buy it direct from Annabel Johnston, Lime Tree Cottage, Langford, Nr. Lechlade, Gloucestershire. Telephone: Filkins 822. Annabel Johnston can be visited at her home, strictly by appointment only, where you can see the complete range of her items. Lucile designs her own

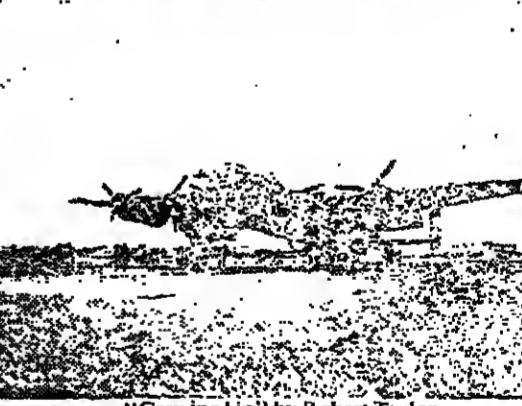
needlepoint canvases. They are all hand-painted and are all original designs. Her special quality seems to be her colouring—colours are soft, gentle and subtle—and her choice of several animal themes. Photographed here is a charming yellow-green (turquoise) canvas, £17.50, inclusive from Lucile Wareing, Clarendon, The Park, Cheltenham, Gloucestershire. Telephone Cheltenham 515434. If you wish to make an appointment to view her complete range of canvases.

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Saturday June 14 1980

Britain on the Iceberg route

MOST OF the determined sailors on the Observer single-handed trans-Atlantic race take the northerly, Great Circle route. They know that it courts encounters with gale-force headwinds, icebergs and fog. But they also know that it is the most direct route to their objective.

It is in something of the same spirit that Mrs. Thatcher this week reaffirmed her commitment to the Government's chosen strategy against inflation. They will not be deterred by the recession which has clearly set in, or by the consequent rise in unemployment, because she and her Ministers have always known that these risks were inherent in a sternly monetary approach. Indeed, when the other actors in the economy refuse to recognise what monetary restriction means, recession and unemployment become, for an unpleasant period, the means by which the objective is achieved. As a Treasury official once said, if it is the British will only face a crisis when they have their backs to the wall, the only strategy open to a Government may be to build a wall and back people up against it.

Stock cuts

Manufacturing industry has been running out of room for manoeuvre for some time, under the pressure of foreign competition reinforced by a drastically over-valued exchange rate. The results are becoming daily more evident, as even successful and profitable companies are forced to close down one activity after another, ranging from such obviously export industries as steel and textiles to seemingly more sheltered domestic sectors such as confectionery, biscuits and photographic film. The difficulties caused by foreign competition have recently been intensified as retailers, caught between disappointing sales and the high cost of finance, have been cutting their prices and their orders in an effort to reduce stocks. The fact that a sharp stock recession has been widely forecast does not make it any less unpleasant and alarming when it sets in.

The good news is that the recession now seems to be having some impact on prices. The rise in the retail index reported yesterday was significantly lower than expected; it is now possible that the rate of inflation has peaked a month early—for in August, when the effects of the VAT increase of last year disappear from the figures, the reported inflation rate will fall whatever is happening to the underlying performance. If the underlying rate is indeed falling at the same time, the fall in the second half of the year could

be rather sharper than most forecasts have yet suggested.

In the private sector, then, the policy is beginning to work, though at what cost? There is to be a high real cost in output and employment. The Government's worries are now much more concentrated on the public sector, where the news so far is not at all encouraging.

Cash limits

When they took office, Ministers seem to have hoped that cash limits would have very much the same effect in the public sector as monetary policy has achieved in the private sector, enforcing economy, efficiency, and perhaps cut-backs. It has not worked like that.

Wherever possible, public industries and services have raised their prices, limiting borrowing at the expense of the consumer. Cash limits have themselves been fudged to accommodate enormous pay increases—largely the adjustments required to unwind the distortions caused by earlier incomes policies, but now in danger of creating reverse anomalies. Local authorities, now largely controlled by the Government's political opponents, appear to be overspending. Recent speeches, now followed up with a sharp cut in the promised pay of MPs and a threat to freeze local authority construction, signal a much more interventionist approach from now on.

This new determination may explain what is otherwise puzzling behaviour in the markets: for despite disappointing banking figures and a sharp rise in the money supply, the gilt market has actually risen during the last week. Like equities, they reflect the hopes for a fall in interest rates—and, to judge by market reactions, a consequent easing in the exchange rate. It is true that the collapse of U.S. rates, and enhanced American buying in London, has also supported the market, and the easing of money market rates offers no comfort at all. It is simply due to an unexpectedly high Government disbursements.

Stern action

For the longer term, however, stern administrative action to check public spending and public pay settlements would be good news for the rest of the economy. The rise in charges, which has contributed more than its share to inflation, should ease; and interest rates could reflect and relieve the depressed state of the private sector, instead of being held up by the need to finance public over-spending. Recession without financial relief—our present state—means excessive pain.

BRITAIN'S BANKS are taking on the building societies, and the societies have not yet made up their minds how to respond to the attack. However the building societies recognise that they face an increasingly tough struggle to hold their ground in the personal savings market and the home loans business.

The threat of open warfare between the clearers and the societies has been raised by the impending abolition of corset controls on the growth of bank business.

Mr. Brian Pearce, a general manager with Barclays, recently summed up the position as follows: "If in the 1970s we failed in one area of our business it was to persuade our personal depositors that they were wanted. This we must remedy in the 1980s."

While the threat from the banks is accepted, the building society movement's leadership has so far confined its reaction to renewed calls for improving its traditional services. Mr. Leonard Williams, chairman of the Building Societies Association, told a meeting of mortgage brokers in May that abolition of the corset could see the banks competing vigorously in the personal sector for deposits and home loans.

If this happened, he said, the societies would be bound to respond. "But all that would entail, according to many societies, would be a polishing up of existing marketing efforts, and a re-appraisal of schemes designed to attract funds from their traditional market place."

Thus Mr. Clive Thornton, chief general manager of the Abbey National, comments: "I accept that we face intense competition from the National Savings movement and the banks, but we have all become far too steamed up about it."

"We are not interested in the banking business, in the volatile money it brings with it, in current accounts, cash cards, or credit cards. We wish to remain savings and loan organisations, not develop into mortgage banks."

All the indications are that the clearing banks are planning a big move into the mortgage market, which until now has been almost totally dominated by the building societies. The banks will also be launching new schemes, or "savings instruments," in an effort to regain dominance in the personal deposits market, long lost to the building societies.

However, the strategy involves far more than the regaining of lost territory. At its heart lies an increasing recognition within at least some of the clearing banks that the time has come to extend their business into the ranks of the Great Unbanked—the 45 per cent or so of British adults who do not have cheque accounts.

Among the first people likely to be courted by the clearers will inevitably be the estimated 40 per cent of existing building society investors who have so



Check by jew in Kingston: competitors for everyman's money

Travis Humphries

far managed without a bank current account.

The question the banks are increasingly asking is what reaction can they expect from the building society movement.

Some bankers expect a fairly easy ride, claiming that the "uncommercial" building societies will be no match for what they see as the banks' brand of hard-nosed competition. But others are wondering whether the building societies may be provoked into taking the clearing banks on at their own game by entering the retail banking market.

The process of poaching on each other's territory has already begun. Encouraged by the belief that the home loans market is an expanding and highly profitable business, a

Some bankers expect a fairly easy ride

number of banks have in the past year made cautious moves into mortgage lending. Notable among these have been Lloyds, which has announced two separate schemes, Midland and the Trustee Savings Banks. The two largest commercial banks in the UK, Barclays and National Westminster, are expected to announce plans to enter the home loans market in the next month or so. One bank at least is likely to launch new savings accounts comparable with those now available from building societies.

Penetration of the building societies' traditional market has been impressive. While in 1978 the banks managed to account for around 41 per cent of mortgage advances, that had risen to just under 10 per cent by the end of last year.

The banks have made no secret of their intention to become more involved in mortgage business. Some building society executives believe that their competitors could take up to one-third of the total new lending market in the next few years.

Since 1950 the societies have pushed up their share of personal savings from less than 10 per cent to something in the region of 50 per cent last year, so that they have become the first and natural home for many people's savings. The position of the banks has declined slightly over the same period. They now account for around 30 per cent of personal savings. Bankers realise that the building societies' step from being a collector of personal deposits to that of an all-round banker to the man in the street is not a large one.

Their uneasiness will not have been allayed by the first signs that services more traditionally associated with banking have emerged from the ranks of the largest building societies. Great interest has already been stimulated by the recent decision of the Halifax, Britain's largest society, to experiment with cash dispensing, or automated teller machines.

Bankers will no doubt have been comforted, however, by last month's news that the Bradford and Bingley Building Society, eleven largest in the UK, is to penalise customers who operate their deposit accounts as if they were bank current accounts. The society has told 1,500 depositors that they will have to accept a 7 per cent rate of interest, against 10 per cent on normal share accounts or take their money elsewhere.

The Bradford and Bingley move is a pointer to the reluctance of many societies to engage in outright competition with the banks. They accept

that their ability to compete in the provision of full personal banking services has been substantially enhanced in the wake of heavy investment in computerised systems, capable of coping with automated transfer of funds. However, many regard the step from offering a specialised savings and mortgage service to full service banking as unnecessary, if not impossible. Some societies believe the costs involved to be prohibitive, although others remain confident that given their record of efficiency and strong customer links they could happily take on the banks and beat them at their own game.

Foreign bankers interested in the British retail market believe the societies are capable of making the transition. Indeed the thought of some link between a U.S. bank and a British building society has crossed at least one American banker's mind.

Many society executives believe that the answer to the challenge for deposits and for mortgage business lies not only in a continuous fine-tuning of the present schemes offered by the societies, but in a move towards the establishment and maintenance of fully competitive investment and borrowing rates.

Opinions are divided on whether or not the societies should aim for interest rates that are high enough to generate sufficient funds to satisfy all mortgage demand—which they estimate would imply a mortgage rate 2.5 per cent higher than at present.

Such a policy could perhaps undermine any attempt by the banks to take a bigger share of the societies' business but at the same time it would have major implications for the way in which building society operations are treated by the Government and almost certainly spell the end of an interest rate

cartel which already looks very shaky.

Delegates to the recent building societies' annual conference heard Mr. Nigel Lawson, Financial Secretary to the Treasury, say that if the societies' whole pattern of behaviour was to change—"if you were to compete aggressively with the banks for deposits by raising your relative interest rates"—then the Government would need to think again about the place of societies in the monetary system and could have to introduce new controls.

But if the societies are hoping for clearer indications of official attitudes to the question of whether they should become more like retail banks, they may have to wait until competition heats up in the market-place. The Government may well prefer to see one or two societies experimenting more in personal banking before making its stance clear.

One factor which might influence that decision is the undoubted need for far greater competition in the UK retail banking market-place. At present bank customers have little to choose between any of the clearers; their services are virtually identical, and the centre-piece of the money transmission service which they run is the current account.

People who want to have cheque accounts need current accounts. If they have surplus funds these do not attract interest and the banks do not promote automatic transfer to deposit accounts. On the other hand, people with overdrafts normally pay between 3 and 5 per cent over bank base rate for the facility.

Any effort to transform the building societies into banks might see them being brought within the provisions of the Banking Act, and becoming

subject to the same capital adequacy and liquidity requirements as the banks. They could also be covered by any new restrictions on bank lending.

The clearers also want to see the abolition of the composite rate of interest, under which all building society interest is deemed to be paid out of tax at the standard rate even though the societies in turn only pay over interest to the Revenue at a rate in the region of 20 per cent. The interest rate advantage is calculated each year based on the proportion of building society deposits which are deemed to relate to people who are not subject to tax. The effect of its operation is that non-taxpayer depositors with the societies could be deemed to be subsidising the higher rate taxpayer depositors.

But the clearing banks have a golden opportunity to bring about the end of the composite rate themselves, simply by getting the non-taxpayer building society depositors to switch their deposits over to banks where they can get significantly higher rates of interest without any tax deduction.

The fact that the banks have not advertised this great advantage to non-taxpayers suggests that they may fear a large scale switch of some of their own current account balances to deposit accounts.

One thing is clear. The structure of the British banking market-place is changing. The clearing banks will be pursuing the customers of the

The need for far greater competition in the UK banking market-place

building societies both for deposits and mortgages. The strength and scale of the societies' counter-attack is likely to depend on just how vigorously the banks seek to achieve their goals.

There are many international examples of how far savings and loans organisations have, either by choice or through need, driven deep into traditional banking markets. Perhaps the best example is the U.S. where recently-enacted legislation effectively removes the distinction between savings and loan bodies and banks.

When outright competition between the banks and the building societies finally comes, the main beneficiaries should be their customers. Existing bank customers could do with better service, a wider range of facilities, and a better deal for balances left on current accounts. Staff on both sides would no doubt be encouraged to pay more attention to customer needs. Most of all, perhaps, such competition might within a decade bring the advantages of "banking" to Britain's vast unbanked population.

Letters to the Editor

Water authorities

From the Secretary, The National Chamber of Trade

Sir—I read with interest the article by Elinor Goodman (June 11). The National Chamber of Trade has been expressing concern for some time that, unlike other public bodies, the Water Authorities have no elected members who are directly accountable to the public.

In various submissions we have made since the Water Authorities were created, and as recently as last year to the Minister (Mr. Tom King), we have complained about the lack of adequate representation in the water industry. We have put forward positive proposals for the appointment of advisory committees.

We are aware of the present Government's intention to curb the growth of quangos and unproductive bureaucracy which would no doubt account for the minister's point to ourselves last year that he felt "the line has to be drawn somewhere and I do not believe that there is sufficient reason to increase still further local authority representation on the Water Authorities." The comments of our members (in hundreds of Chambers of Trade and Commerce and thirty-three trade associations) would seem to reason otherwise.

For some time we have had strong indications that Water Authorities are too remote and should be more directly accountable to the various communities which they serve; and last year's Water Authority Constitution (Amendments) Orders did little to change that situation. The earlier orders defined the constitutions of the various water authorities and provided that they should consist of thirty-five members, of whom nine were to be appointed by County District Councils. The more recent Councils' representation not ten but we believe that is still not enough. Representation on

Water Authorities should be increased to match the increasing resources and financial responsibilities that now devolve on the Authorities.

We are pleased to note from your article that the Minister seems to be coming round to our view at last and now look forward to further consultation with the Department when we can develop and explain our arguments.

Bernard Tennant, Enterprise House, Henley-on-Thames, Oxon.

Cigarette hazard

From the Director, ASH action on smoking and health

Sir—I have watched with great interest to see how your readers would respond to the incredible attempt to justify tobacco advertising made by Ronnie Kirkwood ("A defence of cigarette advertising" May 29). I now feel it is time to examine the article from the viewpoint of preventive medicine.

Firstly, perhaps we can get the medical problem in perspective. We are dealing with Britain's largest cause of preventable illness and death; and the advertising of a product which will kill a quarter of those who use it all their adult lives, losing each on average 10-15 years of life. There is quite simply no comparable product on the market and even Mike Waterson of the Advertising Association ("The freedom to advertise" June 5) seemed to acknowledge this.

Secondly, even if Mr. Kirkwood sticks doggedly to the utterly discredited Metra report (he should have read your own newspaper's report on it) the whole basis of this argument is false. As Mr. McGuinness points out in his letter of June 5, the prime concern about cigarette advertising and packaging is its capacity to maintain a healthy, socially acceptable image for our greatest cause of personal ill health and conse-

quently to erode medical advice and health education about smoking.

No-one is suggesting that an advertising ban alone will make a serious reduction in consumption. Furthermore, it is ludicrous to take the case of Italy—sums for tobacco advertising in Italy even appear in international analyses of advertising expenditure. More important, the "ban" was motivated by the wish to protect the Italian Government's tobacco business, not as part of any health strategy. Perhaps Mr. Kirkwood's worst inaccuracy—and a man in his position is surely entitled to be briefed rather better by the tobacco industry—is the case of Norway, which has enacted a comprehensive policy to reduce smoking. The weight of tobacco smoked per adult has steadily declined since enforcement of the Act, yet by excluding the traditionally high proportion of hand-rolled tobacco smoked in Norway, the industry tries to demonstrate a rise in smoking—in fact merely a rise in that part of sales represented by manufactured cigarettes.

Lastly, I find Mr. Kirkwood's treatment of the medical evidence nothing short of breathtaking. Having paid lip service to it (incidentally, the deaths solely attributable to smoking are probably nearer to 95,000 per annum) he goes on to repeat the industry's tactic of suggestively doubting the firmness of epidemiological evidence.

If the entire medical establishment accepted it over two decades ago, I fail to see how Mr. Kirkwood can sleep soundly at night after writing as he did in his article. Let him heed the view of the World Health Organisation's Expert Committee on Smoking Control, whose report was published a year ago: "The international tobacco industry's irresponsible behaviour and its massive advertising and promotional campaigns are, in the opinion of the Committee, direct causes of a substantial number of un-

necessary deaths." I would suggest this irresponsibility now extends to the advertisers themselves.

David Simpson, 27-35 Mortimer Street, W1.

Centre wing party

From Mr. L. C. T. Cottrell

Sir—While the article by your U.S. Editor (June 11) on the podium of the forthcoming Presidential election is very informative, it concludes surprisingly with a reference to a centre wing. This phenomenon, while no doubt originating from a three-legged species in the Isle of Man, might well become the symbol of Mr. Roy Jenkins' proposed new party, which would then tend to fly in ever decreasing circles.

L. C. T. Cottrell, Sheriffs' Mural, The Highlands, East Horsley, Leatherhead, Surrey.

BBC's orchestra cuts

From Mr. F. E. G. Pirouet

Sir—In the debate about the disbandment of the BBC of five of its orchestras one factor appears to have been overlooked: the declining use which the Corporation has been making of them. On the evidence of the published radio schedules for the first quarter of the year two of the orchestras, the BBC Symphony and the Scottish Symphony broadcast on average three times a fortnight and the Northern and Welsh Orchestras each averaged just over two broadcasts a week. Furthermore a substantial number of these performances occupied far less broadcasting time than the average public symphony concert.

Time was, before the expanded Radio 3 came into operation in the 1960s, when the orchestral flagship, the BBC Symphony Orchestra, broadcast at least twice a week and often three times. This was achieved by the simple expedient, which made artistic as well

as economic sense, of repeating one programme in its entirety.

That the BBC has over the years performed a great service in its patronage of the living composer is undeniable, but it is arguable that the present policy which allows young composers a single hearing of a new work before confining it to the library shelf is unfair both to the composer, to the musicians who have assimilated the work at rehearsal, and to the listener who is unlikely to come to grips with a piece at one hearing.

There would appear to be at least some scope for economy therefore in going back to the former policy of repeating programmes thereby improving the ratio of broadcasting time to rehearsal time.

Further evidence of the declining use made by the Corporation's Music Department of its assets can be found in the changing face of the Promenade Concerts. When the Corporation took the concerts over the same orchestra performed every night; in the 1950s the share undertaken by the Symphony Orchestra averaged out at about half the total; in the last three years the proportion has fallen to about a third and of the 19 appearances it is scheduled to make this year several are for only half a concert with other performers taking up the rest of the evening.

At the same time the concerts have been much reduced in length and ticket prices, pruned of VAT, increased substantially faster than justified by inflation. The prospectus is now an extremely extravagant publication costing more than 30 times as much as its previous equivalent.

Without going back to the one orchestra concept which was applied for nearly 50 years a Corporation in severe financial straits ought to be able to promote this series more economically without impairing artistic quality.

Recent Controllers of Music

at the BBC have given the impression of forever striving to outdo themselves regardless of cost. Now it has caught up with them but at the expense not of the administrators but of the musicians.

The corporation might in the long run do better to retain its musicians, and to appoint a new Controller with strict instructions to make the most of the assets at his immediate disposal.

F. E. G. Pirouet, 181, Barrett Wood Lane, Ashford, Surrey.

Yards per gallon

From Dr. W. R. Vezin

Sir—Your correspondent Mr. T. P. Kelly (June 10) asserts the possible small, but real, savings achievable by purchasing petrol in the early morning when, he says, it is colder, hence denser, resulting in a higher energy content per unit volume purchased.

Before we grieve, however, he is right to point out that temperature variation in the underground storage tanks of filling stations may be low vis à vis the air above. In fact, diurnal temperature changes are virtually zero more than 2 feet underground—seasonal variation not being measurable below 70 feet.

The annual temperature variation experienced at the level of most storage tanks in the London area (10-12 degrees C) would mean that purchasing petrol at its lowest temperature, only in the winter or early spring, would result in a "mileage advantage" for the average car of less than 300 yards a gallon (50 metres per litre), or about a halfpenny in the pound.

This will be more than offset by the 5 per cent or so rise in the price of petrol, in real terms, that will take place while we wait for winter.

W. R. Vezin, Beecham Pharmaceuticals, Great Burgh, Epsom, Surrey.

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Gaddafi's cultural revolution in Libya

By PATRICK COCKBURN, recently in Libya

THE LIBYAN Revolutionary Committee, which made known yesterday, to kill two of Colonel Muammar Gaddafi's opponents in London shows how confused the situation has become. Both in Libya and abroad. As a result, Mr. Muammar Gaddafi, head of the Libyan mission in London, was last night expelled from the UK.

Last week Colonel Gaddafi promised a "bloodbath" among Libyan dissidents who did not return home by June 11. That was not an empty threat. Within hours of the deadline expiring a Libyan was shot and wounded in the streets of Rome by a gunman shouting "Gaddafi, Gaddafi". A few hours later another was shot dead in Milan. Before the deadline, nine dissidents had been killed by gunmen over whom the Government claimed to have no control.

About the same time as the shootings in Milan Col. Gaddafi suddenly called for an end to the liquidation of exiles, except those who collaborated with the U.S., Israel and Egypt.

These attacks abroad are only a small part of a sweeping purge now under way within Libya. Every night in Tripoli and Benghazi, gloomy, if impassive, Libyans watch show-trials of officials on television. The accused are investigated by a Revolutionary Committee before an invited audience which periodically interrupts the proceedings to shout slogans and denunciations. It is fair to say that many of the accused are unquestionably guilty of corruption.

Fear of arrest for corruption or "political dissidence" has already paralysed parts of the economy. Libyans do not want to put their signatures to any order or invoice, which might later give rise to accusations of corruption. Few new contracts have been awarded in the last two months.

Libyans have good reason to be afraid. Some 1,800 are under arrest and executions are

thought to be running at about 10 a week, though neither figure can be checked. In the last year 800 Libyans are widely believed to have disappeared or been executed. Over the years Col. Gaddafi has been a target for bloodthirsty rhetoric. It is often said that his bark is a great deal worse than his bite. International adventures, like the disastrous bid to prop up Idi Amin in Uganda in 1979 and the Gaddafi raid into Tunisia earlier this year, have hit the headlines. Such melodramas have drawn attention away from the significance of the social and political

Aid for the PLO has been cut off: it is not militant enough

revolution that Col. Gaddafi has launched. The country resembles China in the throes of the Cultural Revolution. The institutions of the state are being attacked by the leader himself. An egalitarian democracy is in the set up. Revolutionary Committees play the role of the Red Guards in China. Nobody in Tripoli knows quite where their authority ends and that of the Government begins.

Libya's allies among the hardline Arab states have a similar problem. It is impossible to know how long any agreement or alliance signed in Tripoli will last. Militants such as Syria and the Palestine Liberation Organisation suddenly find support cut off because they are not militant enough. Libya's ally, Iran, transience limits its influence, but at the same time it helps to keep the political air of the Middle East electric.

In OPEC Libya's militancy is always significant, though now so traditional that it causes little comment. But even before the Arab-Israeli war of 1973,

Libya began to force up oil prices by squeezing independent oil companies which had no alternative source of supply. Higher oil prices last year have allowed the Government to cut production to 1.75m barrels a day and the current emphasis on revolutionary zeal means a tougher deal for the western oil companies with production and exploration agreements. But, even today, Libya's oil reserves amount only to 25bn barrels.

Officially Colonel Gaddafi has resigned as head of state and from all other positions to devote his time to "revolutionary work." In fact he acts as a sort of Mehdi (spiritual and temporal leader) with near-absolute control of the forces on which he relies to create his Messianic vision of a new Libya. In 1977 he first launched his campaign for people's democracy and against the Libyan middle class. When popular committees lapsed into apathy Revolutionary Committees were set up at the end of last year.

Many of Colonel Gaddafi's aims are estimable. He has never been satisfied with running a typical oil state. With the Libyan population only 3m and oil revenues of \$5-12bn last year that would have posed few problems. Instead, Colonel Gaddafi wants a country in which Libyans are not dependent on oil, where they work in factories and on the land instead of comfortably depending on the 3m non-Libyans who make up 50 per cent of the workforce. In what is basically a caste society his vision seems impossible.

The private sector has been wiped out. Every family is allowed only one house and renting property to expatriates previously a prime source of income for middle-class Libyans, is now reserved exclusively for the state. Bank deposits of individuals were limited to LD 10,000 (£14,285) in 1973.



Col. Gaddafi: Libya's head of state has officially resigned, but still has near-absolute control.

This inevitably led to currency hoarding. To stop this the Government decided last month to nullify the currency. Old money had to be deposited in a bank where all but £1,500 was frozen.

Long queues formed outside every bank, some reluctant depositors waiting nine or 10 hours. Farmers from the countryside brought up loads of currency into Tripoli. In a few cases dinar burning parties were held, but in general the

whole operation went smoothly. This docility is all the more remarkable since the frozen deposits will be doled out only in cases of emergency. All shops are to be closed and replaced by vast modern supermarkets.

In theory the social and cultural revolution aims to create a new Libya with heavy industry and more extensive agriculture capable of standing on its own when oil runs out towards the end of the century. To develop the country expendi-

ture of \$263m is planned over the next 20 years.

Even before the present revolutionary changes all was not going well. In development areas only 9 per cent of industrial labour force and 20 per cent of the agricultural labour force is Libyan. In addition to 32,000 European expatriates (6,000 of whom are British) the semi-skilled and unskilled labour force is dominated by non-Libyans, including 100,000 Egyptians and 70,000 Pakistanis.

With the purges sweeping away the thin layer of trained and qualified Libyans running state organisations and industries, the situation has become dramatically worse in the last six months. Every sector of the economy is being hit by sudden and ill-organised conscription into the army. For instance, one oil company found that of 143 trained Libyan operators and craftsmen only 58 were at work. Of the others, no fewer than 67 had been called up for military service or were missing.

Difficulties are increased by Col. Gaddafi's sudden declarations of policy. At the end of last year he stated that every truck driver should own his own truck. By the following day the police were stopping trucks, looking at the log book and, if the driver was not the owner, immobilising the vehicle there and then.

Western technicians are increasingly reluctant to go to the country. Three British diplomats and 17 residents were expelled last week. Local housing committees often take over their houses with no warning, depositing furniture outside.

There simply aren't any ground rules any more, one company manager complained. It is impossible to tell when the police will pounce. An Italian leaving Tripoli airport was picked up with some extra dollars in his back pocket. Legally, he should have declared them before entering Libya. He

was given 18 months in jail.

The result is economic chaos. Training and education are disrupted by conscription and this sets back efforts to Libyanise the workforce. A methanol plant near Mersa Brega, opened six months ago, has so far operated only for 20 days. The general economic plan over the next 20 years is to bridge the gap between the two main centres of population at Benghazi and Tripoli by building up a hydrocarbon industry on the Mediterranean coast.

Because of over-use in the cities, water is running out, so a big shift of population to the far

Gaddafi can rely on a deterrent battalion drawn from his tribe

south of Libya, where water can be pumped from under the desert, is projected. The problem is that few Libyans have the slightest desire to live and work in the wastes of the Gulf of Sirte or in the middle of the Sahara. When cereals grown in the later area finally reach the consumer in Tripoli they will have cost up to five times the international price.

The chances of large scale industry—such as a 7m ton a year steel mill at Misurata—being built and operated by an untrained labour force and an inexperienced Libyan management are very poor. But there seems to be little hope of the regime backing away from these grandiose schemes.

Mounting economic chaos, a generalised attack on the trading class, arrests, executions and mass conscription, combined with the hostility of all Libya's neighbours, might be supposed to be sufficient ingredients to put the continuation of Col. Gaddafi's regime in doubt. Yet there are few signs of an organised opposition. The lack of revolutionary

fervour, the general apathy, among Libyans—which Col. Gaddafi has so often berated—is itself a safeguard for the regime.

There have been some stirrings in the army, anti-Government leaflets distributed in Benghazi and the southern capital of Sebha and a shoot-out in Tobruk but little to prove that dissatisfaction will turn into revolt. On the other hand the failure of the intervention in Uganda in which 400 Libyans were killed and 200 taken prisoner sharply increased worries about where Colonel Gaddafi's foreign policy was leading. Mass conscription and postings to the border with Egypt are particularly unpopular.

The army's officer corps has itself been frequently purged, while Colonel Gaddafi can ultimately rely on his "deterrent battalion" (much larger than a normal battalion) set up last year and drawn from his own tribe of Gaddafah in the Gulf of Sirte. Arrests and executions have helped to eliminate effective opposition.

For a long time the Libyans, including the very rich, tolerated their country's bizarre foreign policy escapades so long as they could continue to make money. And when the revolution which Colonel Gaddafi had for so long tried to export was redirected for internal consumption, they had left it too late.

Against Colonel Gaddafi's singleness of purpose, if not fixity of vision, there was little they could do. Too many of his enemies were on the make, and frequently on the take, to pose a real threat to his authority. It is possible that Colonel Gaddafi's continually frustrated extremism will drive him to such lengths that he will be overthrown by an army coup, perhaps with Egyptian intervention. But so far that is only conjecture.

Weekend Brief

Salmon market in the pink

Gourmets and gourmands who have watched the price of caviar and lobster move faster upward than even the UK inflation rate, can take heart at the latest bulletin from the delicatessen front: the price of smoked salmon is expected to go down this summer. Not only is there a glut of salmon on the Pacific coast of America, from whence originates a good half of the delicacy consumed in this country, but early market intelligence from Scotland and Ireland, which supply the other half suggests their salmon will also be running thicker, fatter and faster this year than ever before.

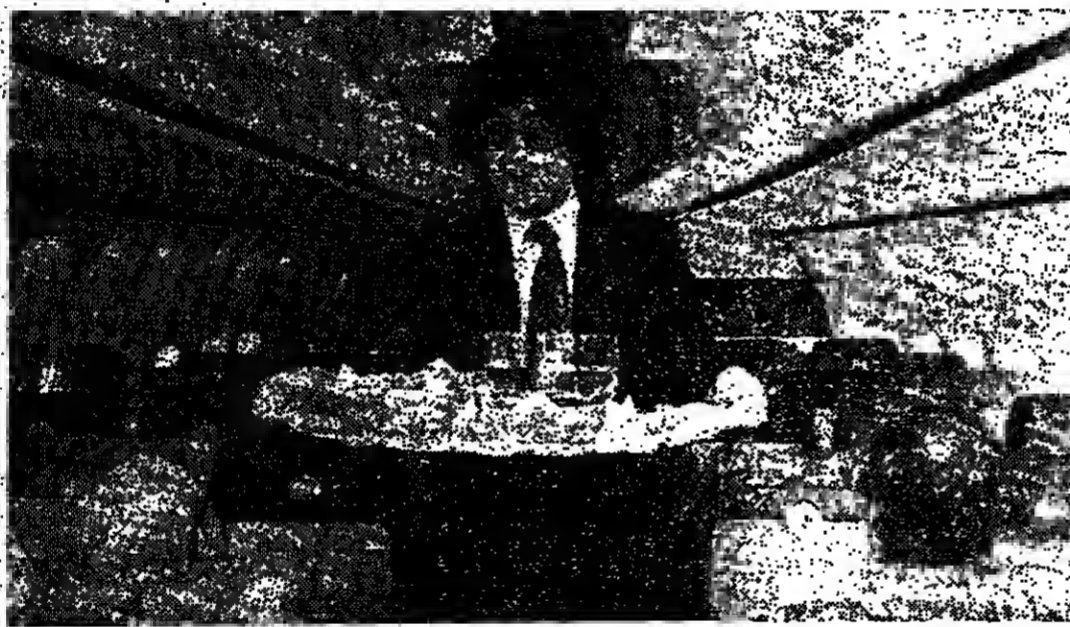
According to Michael Hyman, managing director of Goodfear Products, the Manchester company which claims to be Europe's, if not the world's, biggest smoker of salmon, this year means a drop in the wholesale price of smoked salmon. He hopes the retailers will pass it on to the long-suffering consumers.

The reason for the Pacific coast glut, explains Hyman, is that the American and Canadian Governments instituted massive hatchery programmes several years ago and these "programmes" are just starting to pay off. The salmon that were launched into the rivers are now returning from the ocean to go up river to spawn, and far more of them have survived than was ever expected. So many are returning, in fact, that at certain times the U.S. fish authorities can be heard broadcasting appeals for fishermen to grab their rods and head for certain points on the river banks where the fish are congregating.

It seems the Pacific salmon goes down particularly well in Britain because of its delicate colouring. "Because the Pacific salmon is caught in the sea, before it starts climbing the river it feeds to be a pale pink, that Scotch salmon which can only be caught in the river. The salmon's colour increases in intensity the further up the river, and the closer to spawning it does—immediately before spawning it has become a bright red, and right after it is a brilliant purple. The British consumer likes his salmon pink, but the Italians like it bright pink and the Japanese prefer theirs almost red."

Hyman's family have been smoking and purveying fine smoked salmon for most of this century, starting out in 1911 from a Manchester grocery and delicatessen called "The Titanic". Yes, it was called after the ship. My grandfather had decided there was no future in the grocery business in Britain and he set off to make a new life in America. But the ship he emigrated on happened to be the Titanic—he survived the disaster, decided that God didn't want him to go to America, and returned to Manchester to start another grocery shop. He had become quite famous

News of a salmon glut in time for the picnic hamper season... a new Mr. Cut-price in travel... and television's news from space satellites.



Intasun chairman Harry Goodman: travel's high flyer.

Price cuts and launch pads

Perhaps it was inevitable, but because of his escape and every-one flocked to the shop to see the man who survived the Titanic.

Goodman is at once the bete noir and favourite child of the travel business. A one-time South London travel agent whose horizons were bounded by the limits of suburban Sidcup he branched out into tour operating in the 60s. The building of Sunair into a company sufficiently large for Cunard to sufficiently large for putting Goodman into the convertible Rolls-Royce class, proved to be just the start of bigger and better things. Thomson, incidentally, later bought Sunair, but the name and swallowed the customers. It has never since repeated the ordeal of buying out a competitor.

Since then Goodman has built another tour company, Intasun. This new one is bigger than Sunair ever was and, at the present rate of progress, could be threatening Thomson's No. 1 position within a couple of years. It has done this by ruthless price cutting, passionate wooing of the retail trade, and extremely aggressive marketing. Last year Goodman even moved in on another Thomson field, running an airline, by launching Air Europe.

Among other, too he had

trod on are those of Cosmos, the company which once took all the price-cut headlines. Goodman now taunts Cosmos with price comparisons. Most of the sniping at Goodman himself concerns the question of too much cost cutting actually affecting the quality of the product—an accusation he hotly refutes. Cosmos, Intasun and British Airways all lay claim to being No. 2 to Thomson.

Goodman's present policy, nursed along by such industry old hands as Sidney Perez, managing director of Intasun, is to leap in to all the gaps being opened up by the near universal deregulation. Many of the markets, he reckons, "were there for the grabbing by British Airways" when it had exclusivity but the state airline had neither the will nor the ability to exploit the position.

For all Goodman's flamboyance and dash, however, he is now cultivating an image of financial respectability, placing an emphasis on corporate rather than personal, profitability and eagerly talking about office systems and controlling overheads. Could this be the talk of someone thinking of coming to the market? Is there perhaps one other travel giant he is eager to prove himself equal to—the now public and highly successful Horizon?

Mr. Turner's cable gamble

It is being called the most audacious challenge to TV network news in the history of American Broadcasting. It is the Cable News Network (CNN), a 24 hours a day, seven days a week all news network, broadcasting via satellite to over 22m cable subscribers in the U.S.

CNN is the latest venture of one of America's most colourful entrepreneurs, 41-year-old Robert E. "Ted" Turner, a self-made millionaire whose brand of commercial daring, evangelical idealism and energetic braggadocio have earned him the sobriquet "Mouth of

the South." He is also an accomplished yachtsman, winning the America's Cup race in 1977. His other endeavours include a billboard advertising firm, Atlanta's professional baseball and basketball teams, as well as that city's, and nation's, first television superstation, WTBS.

Turner set sail for uncharted waters when he launched CNN. The venture is seen by many in the news business as a tremendous gamble and many doubt that Turner has the financial wherewithal to weather the storm. Start-up and operating costs for this year alone are estimated to total \$50m, with \$30m earmarked for the news budget, almost one-fifth the amount that major networks spend on their news operations.

"When I looked at cable a few years back, the missing element was not sports or entertainment, it was news. The network nightly news is nothing more than a headline service," Turner says. He is determined to produce six times the amount of news at a fraction of the cost of the "big boys."

To this end, he has hired a group of highly trained news executives to run CNN's seven domestic and three foreign bureaus. The President is Reese Schonfeld, a 25-year veteran of TV news; former CBS correspondent Daniel Schorr will be chief anchorman of the Washington desk and George Watson, a former ABC Washington bureau chief, will do the same job for CNN.

Arrangements have already been made with UPI-TV's television news service and 35 independent stations around the U.S. to extend the reach of CNN's operations. While cable news executives admit that they cannot match the networks in journalistic resources and production values, at least initially, their edge comes in the ability to go "live" to a major breaking story free from the traditional time constraints of commercial television.

While the news product of CNN will inevitably be compared with that of the major networks, opinions will not matter as much as whether cable subscribers choose to tune in.

The prospects for cable news are linked directly to the future of the cable television industry itself and today there are over 18m homes in the U.S. hooked up to cable television systems, one-fifth of all homes with television. The number of homes receiving cable programming has doubled since 1973 alone and industry projections reckon that by 1990 over half the homes in the country will be wired to cable.

Of the cable television industry itself and today there are over 18m homes in the U.S. hooked up to cable television systems, one-fifth of all homes with television. The number of homes receiving cable programming has doubled since 1973 alone and industry projections reckon that by 1990 over half the homes in the country will be wired to cable.

From being the biggest canoe racing event in the world this year, the regatta has become in effect also a mini-Olympics. Canoeing obtained the sponsorship as part of a package which Alka-Selzer has put together to interest BBC TV's Grandstand producers.

For a poor sport, the tentative budget prepared for Canoe '81 is daunting. Based on last year's costs at the world championships in West Germany expenditure is estimated at about \$240,000 and income—hopefully including £30,000 from sponsorship—only around £160,000. "I suppose we are regarded as rather down market from such sports as boat racing and sailing in this country," said one organiser sadly.

But the market canoeing may be but it is no cheap sport. A wooden K1 (single-seater) costs up to £600, weighing 12 kilos, a K2 up to £700 (18 kilos) and a K4—11 metres long and 30 kilos—up to £1,300. Moreover, the sport, which started in this country like so many, has right royal beginnings. Racing developed from gentlemanly and presumably not too energetic regattas held on the Thames in the 1860s by the then Canoe Club.

Contributors:

Robyn Wilson
Arthur Sandles
Patti Reali
James MacDonald

Economic Diary

MONDAY—Balance of payments current account and overseas National figures (May). National Economic Development Council meets. House of Commons debates Brandt Commission report. President of Bangladesh arrives in UK on official visit. EEC Fisheries Council meets, Luxembourg. European Parliament in session, Strasbourg. Confederation of Health Service Employees conference opens, Blackpool.

TUESDAY—Lord Carrington, Foreign Secretary, meets Sir Denis Follows, chairman of British Olympic Association, and 16 other chairmen of governing bodies for Olympic Sports to discuss boycott of Olympics call.

WEDNESDAY—Mr. William Whitelaw, Home Secretary, is principal guest at Westminster Chamber of Commerce luncheon, Europa Hotel, London. Average earnings (April) and basic rates of wages (May). Two-day Financial Times conference "Euro-

pean Offshore in the 1980s"

opens, Grosvenor House, London.

THURSDAY—Mr. Henry Kissinger gives opening address at two-day conference on Oil and Money, Royal Lancaster Hotel, London. Bank of England quarterly bulletin. UK banks' assets and liabilities and the money stock (mid-May). London dollar and sterling certificates of deposits (mid-May). Cyclical indicators for the UK economy (May). Construction new orders (April). Statement by Sir David McNee, Commission of Metropolitan Police, on his annual report for 1979.

FRIDAY—Gross domestic product (first quarter—provisional).

First Union General Investment Trust Limited

(Incorporated in the Republic of South Africa)

A Member of the Liberty Life Group

INTERIM REPORT FOR THE SIX MONTH PERIOD ENDING 30 JUNE 1980

The board of directors of First Union General Investment Trust Limited has pleasure in announcing the unaudited estimated consolidated results of the company and its subsidiary for the period of six months ending 30 June 1980.

| | Six months ending 30 June 1980 (Estimated) | Six months ended 30 June 1979 (Actual) | Year ended 31 Dec 1979 (Actual) |
|--|--|--|---------------------------------|
| Net profit after taxation | R5 450 000 | R3 382 000 | R6 815 000 |
| Less: dividend on preference shares | 65 000 | 65 000 | 130 000 |
| Net profit attributable to ordinary shareholders (Notes 1 and 4) | R5 385 000 | R3 317 000 | R6 685 000 |
| Number of ordinary shares in issue | 74 520 000 | 62 100 000 | 74 520 000 |
| Number of ordinary shares on which earnings per share based | 74 530 000 | 62 100 000 | 68 310 000 |
| Earnings per ordinary share | 7.23 Cents | 5.47 Cents | 9.79 Cents |
| Ordinary dividends (Note 3) | | | |
| —Interim | 4.50 Cents | 3.50 Cents | 3.50 Cents |
| —Final (December 1979) | 4.50 Cents | 3.50 Cents | 8.50 Cents |
| Net asset value per ordinary share (Note 2) | 237 Cents | 144 Cents | 208 Cents |

NOTES:

- The income of the Trust does not accrue evenly over each half-year period of the financial year but is dependent on the timing and dividend policies of the Trust's underlying investments.
- The net asset value of 237 cents per share was calculated at the close of business on 11 June 1980 after deducting the ordinary and preference dividends herein declared.
- The total ordinary dividends to the year ending 31 December 1980 can be expected to be not less than 10.5 cents (1979: 8.5 cents) including the 4.5 cents interim dividend herein declared.
- Surpluses or deficits on realisation of investments are transferred to a non-distributable reserve in terms of the articles of association of the company and are not included in the results above.

On behalf of the board
D. Gordon (Chairman)
J. R. McAlpine (Director)

DECLARATION OF INTERIM ORDINARY AND PREFERENCE DIVIDENDS IN RESPECT OF THE YEAR ENDING 31 DECEMBER 1980

Notice is hereby given that the undermentioned interim dividends have been declared in respect of the year ending 31 December 1980 payable to ordinary and preference shareholders registered in the books of the company at the close of business on Friday 27 June 1980. The ordinary and preference share registers of the company will be closed from Saturday 28 June 1980 to Saturday 5 July 1980, both days inclusive.

| | Dividend Number | Cents per share |
|--|-----------------|-----------------|
| Ordinary shares | 39 | 4.50 |
| 6 1/2 per cent cumulative redeemable preference shares | 41 | 3.25 |

The dividends have been declared in the currency of the Republic of South Africa and cheques in payment thereof will be posted from the offices of the Johannesburg and United Kingdom Transfer Secretaries on or about 28 July 1980.

In accordance with South African Income Tax Statutes, non-resident shareholders' tax at the rate of 15 per cent will be deducted from dividends where applicable.

Cheques in respect of ordinary dividends issued from the United Kingdom office will be drawn in the United Kingdom currency equivalent on 21 July 1980 of the rand value of the dividend payable (less appropriate taxes) except where shareholders concerned have given written notice of their election to be paid in South African currency and such notice is received by the United Kingdom or Johannesburg Transfer Secretaries on or before 2 July 1980.

By order of the board
J. M. Cane (Secretary)

| Johannesburg Transfer Secretaries | United Kingdom Transfer Secretaries |
|-----------------------------------|-------------------------------------|
| AFC Security Registrars Limited | Charter Consolidated Limited |
| Ground Floor | P.O. Box 10 |
| Union House | Charter House |
| 70 Marshall Street | Park Street |
| Johannesburg | Ashford |
| 2001 | Kent TN23 5EQ |

BIDS AND DEALS

£4m offer for Manson Trust

Pilkington tops £91m but UK trading still gloomy

tion of Canada where a strike lasting 16 weeks produced a significant loss, the directors say. Elsewhere most companies showed improved results, particularly the flat glass operations in Australia, South Africa and Argentina.

Trading profit is after depreciation of fixed assets \$33.3m (\$29.3m), contribution to replacement of fixed assets \$9.7m (\$8.8m), obsolescence of fixed assets—assets sold or scrapped

Finance of Singa- Shares in Un-

It will subscribe in cash for 9.85m Manson shares at 39p each; the deal is subject to the approval of the City Takeover Panel, the Bank of England and Manson shareholders.

According to Mr. Geoffrey Hirschman, Manson's finance director, "We want to develop Manson into a commercial banking operation, and this will be an important step in that chain."

| | Year | |
|-------------------------------|---------|---------|
| | 1979-80 | 1978-79 |
| | £m | £m |
| External sales | 629.0 | 548.9 |
| UK profit | 34.1 | 29.2 |
| Overseas profit | 34.9 | 50.5 |
| Trading profit | 48.0 | 79.7 |
| Licensing income | 37.0 | 37.9 |
| Special payment | 3.5 | — |
| Associates' profits | 11.3 | 7.1 |
| Interest, less interest, inc. | 2.3 | 5.2 |
| Profit before tax | 97.4 | 90.3 |
| Tax | 20.5 | 26.5 |
| Net profit | 76.9 | 63.8 |
| Minorities | 2.1 | 1.9 |
| Attributable | 68.8 | 45.7 |
| Interim div. | 6.2 | 4.1 |
| Second interim | 5.6 | 5.7 |

The difficult trading conditions in the UK are reflected in the pressure on trading margins. In spite of this, and of the stronger pound, exports increased from £61m to £72m.

Woodhead comes back in second half to hold profit at £4.7m

REDUCED MARGINS on its major trading activity and increased losses in two subsidiaries pushed back pre-tax profits of Alpine Soft Drinks to £926,000 in the year to March 29, 1980, compared with £1.51m. The current year has brought a marginal increase in soft drink sales.

Tomkinsons down in first half

He considered the shares to be a good long term investment and expected the value to increase.

The new shares proposed to be issued have virtually no voting rights but Mr. Hamlyn said that this was of little importance as the company had already exercised effective control anyway.

News International shares suspended at 163p on May 20, resumed trading at 190p on Wednesday. There was little activity yesterday and they closed unchanged. The shares had previously been moved up from \$2.15 on Tuesday and closed at \$2.90 yesterday.

Tin merger details

Details

Gold producers dividends up

The six companies account for over 154,000 pikuls (9,317 tonnes) of tin, or about 14 per cent of Malaysia's output.

Results due next week

LAMONT RAISES McCLEERY OFFER

Lamont Holdings, the engineering and property group, has increased its offer for McCleery L'Amie, the Belfast ropes and carpets group, and has secured the agreement of the McCleery board.

The new bid—a shares and cash deal or straight share swap—values the capital of McCleery at some £2.8m, compared with Lamont's first offer in April worth some £2.6m, which the board rejected.

Lamont, headed by Sir Desmond Lorimer who is also chair-

Textile losses hit Sidlaw

Losses hit Sid

will release some working capital, but the extent of current raw material supply contracts will delay the full benefit until after the year end. The Board points out that further investment in oil services will not be constrained, however, for lack of finance.

Extraordinary items yielded a gain of £124,000 at halfway, with a surplus on the sale of machinery more than compensating for closure and redundancy costs, although further substantial terminal costs will be incurred.

Further losses are forecast in textiles as rationalisation is effected, and with the current high interest rates group prospects for the second half are little better, despite the progress of the oil services division.

● **comment**

Sidways' figures break down neatly into good and bad news. The services and accessories companies have turned in a sparkling half, but even this

Ellerman shows some recovery

Loss per £1 deferred share—all of the issued share capital is privately held—is given as 80p (72p earnings). And the dividend is unchanged at 6.79p with a final of 4.54p.

London City Liners suffered a trading loss, as in 1978, but reduced it by £2m to £1m. The directors say this indicates that the shipping division is "turning the corner" and is firmly set on the road to recovery.

Results of the merged transport, and industrial and commercial division. Ellerman Commercial Holdings, were characterised by "improving performance" in the UK operations, mainly in shipping and forwarding, balanced by good results from the overseas operations from the shipping division.

Operations in the UK are being rationalised and reorganised, and the company is expecting the benefits of this to become apparent in 1980.

Group tax for 1978 took £631,000 (£768,000), there were minorities' credit of £263,000 (£250,000). The company had an extraordinary debit of £4.22m (£2.96m).

ELECO RIGHTS

Following the rights issue by Elecs Holdings of 2,426,363 10p shares at 54p, acceptances have been received in respect of 2,158,341 shares, or 89 per cent. The remainder have been sold in the market.

| Announcement date | Olividend (p)* | | This year int. |
|----------------------|----------------|--------|-------------------|
| | Last year | Final | |
| Tuesday | — | 0.8 | — |
| Wednesday | 0.7888 | 1.1938 | 1.0 |
| Wednesday | — | — | — |
| Wednesday | 1.8762 | 3.8 | 1.84 |
| Thursday | 2.05775m | 4.26 | 6.0 |
| Thursday | — | 0.48 | 0.2 |
| Tuesday | 1.26 | 1.75 | 1.5 |
| Friday | 1.75 | 2.426 | 1.75 |
| Monday | 2.5 | 4.5 | 3.0 |
| Wednesday | 1.572 | 3.0 | — |
| Thursday | 2.5 | 5.0 | — |
| Friday | 2.17 | 1.85 | — |
| Friday | 1.075 | 1.375 | — |
| Thursday | 0.75 | 1.0 | — |
| Thursday | 1.0 | 2.4 | — |
| Wednesday | 0.7472* | 0.7 | — |
| Thursday | 2.75 | 3.625 | — |
| Friday | 0.96 | 2.25 | — |
| Wednesday | 3.0 | 7.0 | — |
| Thursday | 0.47 | 0.7 | — |
| Friday | 3.0 | 3.5 | — |
| Friday | 1.45 | 4.9n | — |
| Friday | 2.0 | 5.0 | — |
| Friday | 1.0 | 5.0 | — |
| Wednesday | 2.25 | 3.0 | — |
| Tuesday | 2.25 | 3.0 | — |
| Wednesday | 1.0 | 6.0 | — |
| Monday | — | — | — |
| Monday | — | — | — |


* Share and adjusted for any intervening dividend of 0.3p. † Second interim. ‡ 1.8425p. § Includes special dividend of 0.36p. ¶ Total of int. and int.-recurring dividend of 0.9p. § Includes 1000p. Total of int. and second recurring dividend of 2.5p. ¶ Includes 1000p. Total of comp. dividend and second int. of 0.08p. § 0.019p. € 0.115p. £ 0.0553p.

£793,000 at which its properties were recently valued. Wilson Peck is paying £354,650 for Harpersmore, where the latest valuation figure is £245,500.

In the financial year to March 31, 1979, Wilson Peck made a £51,700 loss. In June of last year, it sold the group indebtedness and entire capital of its insolvent Crescent subsidiary for over £127,000.

INVEST IN 50,000 BET

50,000 people in the United Kingdom have MULTIPLE SCLEROSIS—the cause and cure of which is still unknown. We need your donation to enable us to end WELFARE OF MULTIPLE SCLEROSIS commitment to find this cause and cure MEDICAL RESEARCH.

 Please help—Send a donation to Room F.1, The Multiple Sclerosis Society, 226 Munster Road, Fulham, London SW6 6

CORAL INDEX: Clos

INVEST IN 50,000 BETTER TOMORROWS

50,000 people in the United Kingdom suffer from progressively paralyzing MULTIPLE SCLEROSIS—the cause and cure of which are still unknown—HELP US BRING THEM RELIEF AND HOPE.

We need your donation to enable us to continue our work for the CARE AND WELL-BEING OF MULTIPLE SCLEROSIS sufferers and to continue our commitment to find the cause and cure of MULTIPLE SCLEROSIS through MEDICAL RESEARCH.

**Please help—Send a donation today to:
Room F1,
The Multiple Sclerosis Society of G.R. and N.I.
268 Water Road
FURNHAM, LONDON, SW6 6RE**

M. J. H. Nightingale & Co. Limited

27/28 Lovat Lane London EC3R 5EB Telephone 01-621 1212

| 1979-80 | | | Gross | Yield | | | |
|----------|---------|-----------------------|--------|---------|------|------|------|
| High Low | Company | Price | Change | Dlr (%) | P/E | | |
| 98 | 55 | Ampersing | 55 | +1 | 8.7 | 18.3 | 3.01 |
| 50 | 26 | Amintara and Rhodas | 26 | — | 3.8 | 42.7 | 2.49 |
| 285 | 186 | Bard Hill | 278 | — | 13.5 | 5.0 | 3.21 |
| 100 | 78 | Country Care 10.7% PL | 78 | — | 15.3 | 19.6 | 9.21 |
| 63 | 28 | Debar | 92 | — | 10.0 | — | — |
| 125 | 88 | Frank Horsell | 117 | — | 10.0 | 5.4 | 10.1 |
| 128 | 50 | Frederick Parker | 80 | — | 12.5 | — | — |
| 102 | 64 | Garage | 102 | — | 16.8 | 4.7 | 7.11 |
| 75 | 45 | Jackson Group | 75 | +1 | 16.6 | 18.2 | 2.11 |
| 153 | 103 | James Burrough | 108 | +2 | 7.2 | 8.0 | 2.89 |
| 242 | 168 | Robert Jenkins | 300 | — | 31.3 | 10.4 | 8.91 |
| 232 | 177 | Tarda | 219 | — | 10.1 | 8.9 | 3.71 |
| 34 | 11 | Twinnford Ltd | 75 | +1 1/2 | 15.1 | — | — |
| 56 | 23 | Uniflow 12.2% ULS | 79 | — | 0.8 | 16.8 | — |
| 56 | 23 | Uniflow Holdings | 50 | — | 12.0 | 16.8 | — |
| 45 | 45 | Uniflow Holdings New | 48 | +1 | 2.8 | 5.2 | 10.6 |
| 95 | 42 | Water Alexander | 94 | — | 4.4 | 4.8 | 5.2 |
| 214 | 125 | W. S. Yates | 214 | +2 | 12.1 | 5.7 | 3.61 |

1 Accounts prepared under provisions of SSAP 18

GUINNESS

Interim Statement

Group Profit for 24 weeks to 15th March, 1980
UNAUDITED

| | Notes | 1980 £m | 1979 £m |
|--|-------|------------|------------|
| TURNOVER | 1 | 341.3 | 301.2 |
| PROFITS | | | |
| TRADING PROFIT | 2 | | |
| Brewing | 1 | 19.1 | 16.4 |
| General Trading | 1 | 1.5 | 3.1 |
| Plastics and Materials Handling | | 2.4 | 2.5 |
| Leisure | | 1.1 | 1.0 |
| Confectionery | | 0.1 | 0.2 |
| Central Management costs | | 24.2 | 23.2 |
| Interest charges | | 5.8 | 4.3 |
| Investment income | | 17.3 | 18.1 |
| Share of profits of associated companies | 1 | 3.3 | 4.7 |
| PROFIT BEFORE TAXATION | | 21.2 | 23.1 |
| Taxation | 3 | 6.2 | 7.5 |
| PROFIT AFTER TAXATION | | 15.0 | 15.6 |
| Minority interests | | 2.5 | 2.0 |
| Extraordinary items | | 12.5 | 13.6 |
| | | 0.1 | CR 0.2 |
| PROFIT ATTRIBUTABLE TO STOCKHOLDERS | | 12.4 | 13.8 |
| INTERIM DIVIDEND | | 2.8 | 2.8 |
| EARNINGS PER 25p STOCK UNIT | 4 | 7.1p | 7.9p |
| INTERIM DIVIDEND PER 25p STOCK UNIT | 4 | | |
| Payment to be made on 11th August, 1980. | | 1.575p | 1.575p |
| Gross equivalent | | 2.250p | 2.250p |

NOTES:
(a) Following the recommendation of the Harp Lager Group the 1980 results of the new subsidiary companies Harp Ltd. and Harp Lager Brewery (Ireland) Ltd. are included in the turnover and brewing trading profit whereas for 1979 the Group's share of profits of Harp Lager Ltd. is included in the share of profits of associated companies.
(b) As a result of disinvestment J. L. Morrison Son & Jones (Nigeria) Ltd. has changed its status and for 1980 the Group's share of the profits of J. L. Morrison Son & Jones (Nigeria) Ltd. is included in the share of profits of associated companies whereas for 1979 the results of J. L. Morrison Son & Jones (Nigeria) Ltd. are included in turnover and in the trading profit of the General Trading Group.
(c) The following table shows the trading profit of subsidiary companies resident in each territory, before deducting U.K. Central Management costs—

| | 1980 £m | 1979 £m | % |
|--|------------|------------|------|
| United Kingdom (including exports) | 8.6 | 3.3 | 5.8 |
| Republic of Ireland (including exports to U.K. and Overseas) | 11.1 | 4.6 | 8.3 |
| Overseas | 5.1 | 2.1 | 6.1 |
| | 24.2 | 10.0 | 20.2 |

(d) The earnings and interim dividend per 25p Stock Unit for 1979 have been adjusted by the capitalisation issue of one for one made in February 1980.

(e) Trading profit is after charging depreciation of £7.8m (£6.7m).
(f) The trading profit for the 24 week period under review of companies resident in the Republic of Ireland and Overseas would have been £1.4m greater (Republic of Ireland £0.9m, Overseas £0.5m) had those profits been translated at the rates which applied for the comparable period in 1979.

3. The following table analyses the taxation charge—

| | 1980 £m | 1979 £m |
|--|------------|------------|
| Holding and subsidiary companies | | |
| Taxation arising in— | | |
| United Kingdom | 1.1 | 1.3 |
| Republic of Ireland | 2.5 | 1.5 |
| Overseas | 1.3 | 1.9 |
| Associated companies—share of taxation | 4.9 | 5.6 |
| | 6.2 | 7.5 |

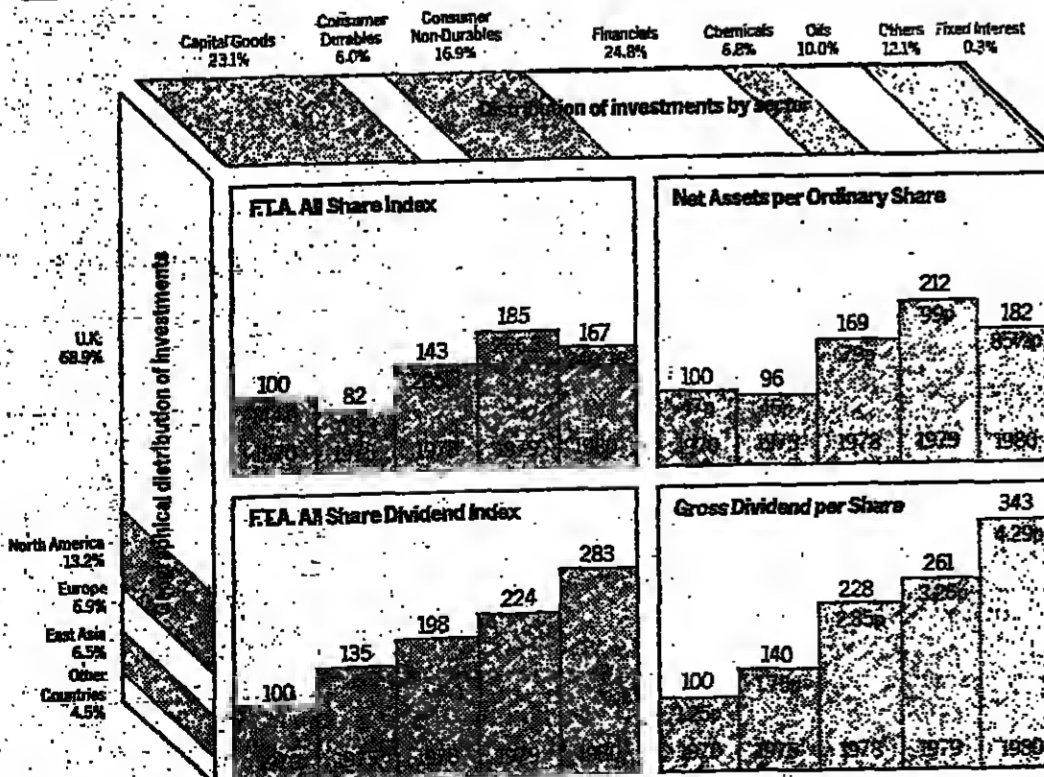
U.K. Corporation tax has been provided at the rate of 52% (50%).
4. The earnings and interim dividend per 25p Stock Unit for 1979 have been adjusted by the capitalisation issue of one for one made in February 1980.

It is always regrettable to announce a setback in profits, but—as I warned shareholders at the Annual General Meeting—the widening world recession makes it more and more difficult to maintain profit growth. However, I can tell you that there has not so far been any significant setback in the level of trading activity in your companies. Generally the volume of sales is being maintained; however margins are being squeezed. I expect the position for the year end to be similar to that for the half year, with trading profits close to last year's level, but pre-tax profits reduced as a result of higher interest charges; also, if current rates of exchange still apply at that time, the strength of sterling will have a further adverse effect. Nevertheless, I reaffirm that I consider the spread of your companies' activities is a sound base for future progress.

IVEAGH
Chairman

ARTHUR GUINNESS SON AND COMPANY LIMITED

Atlas Electric and General Trust Limited.



Total Assets at 31st March 1980: £103.7 million.

Our hopes in the new Government have so far been justified. Exchange controls have been abolished which greatly facilitates the management of the portfolio and, in his recent Budget speech, the Chancellor recommended the removal of the tax on capital gains which investment trusts have been paying. We look forward to operating during the current year in the absence of these inhibiting factors.

Sir Anthony G. Touche Bt, FCA, Chairman

A member of the Touche, Remnant Management Group.

Total funds under Group management exceed £800 million.

The Accounts can be obtained from The Secretary, Atlas Electric and General Trust Ltd., Winchester House, 77 London Wall, London EC2M 1BH.

UK COMPANIES

New backing for small companies

By Alan Friedman

A NEW £7.5m investment management company was launched yesterday by M. J. H. Nightingale, an investment banker to small companies. The Lovat Enterprise Fund, to be financed by five institutional shareholders including Legal and General Assurance and the Prudential group, will make investments in three or four private companies per year for a period of five years. The average annual investment may be up to £2m.

Mr. John Gratwick, chairman of Empire Stores, will head Lovat. The board includes fund managers from the National Coal Board Pension Fund, Legal and General and Electra Group.

Mr. Gratwick explained yesterday that the idea was to select promising companies with pre-tax profits in the range of £100,000 to £350,000. "We want to build them up over the period to 1985. This is in keeping with current political pressure to encourage small businesses."

Mr. Peter Bell, a Lovat director from the Legal and General, commented: "We see Nightingale as specialists in grooming companies for their own listing when they reach above the £500,000 profit mark or at least attracting larger shareholders by outside financial institutions."

Under the proposed system, institutions will invest directly in the chosen companies. The board of Lovat will serve as an advisory group, taking decisions on where to invest.

Nightingale will hold an option to purchase 5 per cent of the ordinary capital of any company selected for investment. It will also receive a fee from Lovat for management services; this should come to between £150,000 and £200,000 over the five year period.

Investments in any one company will be restricted to not more than 10 per cent of the equity or a maximum of £500,000, and will normally consist of convertible redeemable preference shares for companies raising new equity.

Although some Lovat directors admit that an eventual goal may be to list the companies on the stock exchange, the Nightingale market in unlisted securities or to the Stock Exchange, Mr. Gratwick said yesterday that he did not mind whether the companies choose to seek a listing or not.

Grindley Stoke £1.6m loss

Grindley of Stoke, the Newman Industries ceramics subsidiary, has reported a dramatic downturn for 1979.

The company suffered a pre-tax loss of £1,606,368 compared with a profit of £308,782 in the previous year. Turnover fell from £10.99m to £8.17m.

Newman announced that its ceramics division "met harsh trading conditions" at the time of its 1979 preliminary statement in May. The group as a whole reported a fall in profits from £3.22m to £378,000. The ceramics division made an operating loss of £1.13m compared with a 1978 profit of £992,000.

In January of this year Grindley acquired the Ceramix group from Maddock for £1.7m in cash and shares. Ceramix grouped together the U.S. ceramic operations of Maddock.

Grindley's losses were struck after interest of £428,153 (£158,113) and depreciation of £182,180 (£129,417). A tax credit amounted to £385,384 (charge of £36,706) and the company reported extraordinary debits of £493,566 (£220,332). The dividend was again omitted and the loss per share given as 83p (earnings 51p).

A. Cohen tops £2m

PRE-TAX profits of A. Cohen and Company, metal refiner and non-ferrous alloy manufacturer, rose in 1979 from £1.96m to £2.11m.

Turnover was down from £47.84m to £38.19m as the company's contributions were £339,027 (nil).

At halfway the company reported pre-tax profits of £342,000 (£327,000).

The tax charge was £1m (£1.04m) and minorities bore accounted for £262,275 (£436,114). A final dividend of 4.435p (4.028p) makes a total of 6.8p (6.178p) net, and earnings per share are given as 45.83p (26.34p).

| SPAIN | Price | + or - |
|-----------------|-------|--------|
| June 12 | | |
| Banco Bilbao | 223 | +2 |
| Banco Central | 223 | |
| Banco Exterior | 215 | |
| Banco Hispano | 221 | -5 |
| Banco Ind. Cat. | 122 | |
| Banco Madrid | 141 | |
| Banco Santander | 280 | +5 |
| Banco Urquijo | 198 | +6 |
| Banco Vizcaya | 200 | |
| Banco Zaragoza | 200 | |
| Oragados | 83 | |
| Espanole Zinc | 61 | |
| Fecsa | 61 | +0.2 |
| Gsi, Pretrados | 29.5 | -0.5 |
| Hidroila | 67.5 | |
| Industria | 67.5 | |
| Paralosa | 107.7 | -0.7 |
| Petrilber | 64 | |
| Sopelga | 58 | +1 |
| Telefona | 54 | -0.2 |

CITY OF LEICESTER
Floating Rate Stock 1982
For the six months from 16th 1980 to 16th December 1980 the interest rate on the above stock will be £16.125% per annum.
Morgan Grenfell & Co. Limited.

SUMMARY WEEK'S COMPANY NEWS

Take-over bids and deals

Control of News International would pass to News Corporation, the Australian master company of Mr. Rupert Murdoch under proposals announced on Wednesday. News Corporation already owns 49.9 per cent of the U.K. concern and other holders are offered two new NI shares for every one now held and will then receive a cash offer for up to half the new shares at 100p each; this compares with yesterday's closing equivalent of 95p. The NI new shares carry no rights except to dividend payments in line with those of the holder company.

Dealings in Godfrey Davis shares were briefly suspended, and depressed on the resumption yesterday following the referral to the Monopolies Commission of the £22m bid from Europcar, the vehicle rental arm of Renault, for Davies' car rental division. Because of conflicting interests between C. Y. Tung's Orient Overseas Container Line, and Overseas Containers Limited, the partners in the latter, P and O, Ocean Transport, and British Commonwealth, are paying £27m for Furness Withy's 15.81 per cent stake in the company. Furness was taken over by the Hong Kong-based Tung earlier this year and the partners had first refusal on the Furness stake in OCL.

Rowe and Pitman acting on behalf of Singapore's Times Publishing Berhad, mounted yet another market raid and acquired 5.5m (27 per cent) of the shares of publisher Marshall Cavendish at 25p each. Times stated that it does not intend to launch a full takeover bid for Cavendish, but it does want to increase its distribution of Cavendish products.

Charterhouse, the British investment and banking company, intends to take a stake of between 45 and 49 per cent in a separate company being formed to buy PRF Corporation, a U.S. bedroom and bathroom textiles company, for \$30.5m (£13m).

Bruger King, the fast-food chain, signed a franchising agreement with Management Agency and Music, representing a total investment of £6m for the latter.

The Stock Exchange barred its members from doing any business for Mr. Jim Raper, former chairman of Saint Piran, and suspended dealings in the company's shares indefinitely. The disciplinary action follows the failure by Mr. Raper and three foreign companies to raise the finance for a full £7m bid for Saint Piran after building up shareholders totalling 37 per cent. The Takeover Panel described Mr. Raper's conduct in the matter as deplorable.

Sun Oil, the U.S. oil company, received acceptance for 95.56 per cent of the ordinary and deferred share capital of Viking Oil, the North Sea exploration group. The offer is now unconditional and Sun intends to compulsorily acquire the outstanding shares.

Hall Brothers Steamship, a cash shell company controlled by Mr. Alan Ferguson's Guernsey-based Temple Investment and Finance, requested a halt to dealings in Hall shares on the unlisted securities market pending an announcement.

| Company | Value of bid per share** | Price before bid | Value of bid | Final Acc'd date |
|-------------------|--------------------------|------------------|--------------|------------------|
| Barget | 12½ | 20 | 18 | 3.56 |
| Bishopsgate Prop. | 5½ | 5 | 5 | 0.38 |
| Christy Bros. | 30* | 32 | 33 | 0.60 |
| City & Ind. Tst. | 142 | 124 | 127 | 19.22 |
| Cray Elect. | 31½ | 35 | 34 | 0.93 |
| Dolot Tea | 270* | 275 | 275 | 0.29 |
| Ewer (George) | 52½ | 56½ | 51½ | 6.50 |
| Keyser Ullmann | 83 | 81 | 70½ | 43.15 |
| Lidstone | 280* | 260 | 290 | 0.51 |
| L. K. Industrial | 16½* | 21 | 16 | 0.20 |
| Inv. 54 | | | | |
| Land & Prvnc. | 500* | 470 | 287½ | 9.12 |
| Postel | 29½ | 34½ | 27½ | 8.23 |
| Maple 44 | | | | |
| McCleery L'Amie | 19½ | 18 | 17 | 2.43 |
| Nationwide | 6½ | 6 | 9 | 0.66 |
| Lelane | 56 | 55 | 59½ | 22.40 |
| Status Discount | 10* | 44 | 7 | 0.25 |
| Stearns Romana | 87½ | 85 | 45½ | 9.07 |
| Turner (W. & E.) | 35½ | 34½ | 21 | 4.09 |
| Wilson Bros. | | | | |

* All cash offer. † Cash alternative. ‡ Partial bid. § For capital not already held. ¶ Combined market capitalisation. ** Date on which scheme is expected to become operative. *** Based on 12/6/80. **** At suspension. ***** Estimated. §§ Shares and cash. †† Unconditional. ‡‡ Plus royalties.

PRELIMINARY RESULTS

| Company | Year to | Pre-tax profit (£000) | Earnings* per share (p) | Dividends* per share (p) |
|-------------------|---------|-----------------------|-------------------------|--------------------------|
| A. E. Foods | Mar. | 98,685 (78,898) | 17.0 (14.0) | 3.4 (2.8) |
| Aero Needles | Dec. | 294 (406) | 14.0 (15.1) | 1.5 (1.58) |
| Allied Brew. | Mar. | 113,100 (112,400) | 13.3 (14.2) | 5.0 (4.38) |
| Applied Compt. | Mar. | 720 (372) | 19.3 (8.4) | 1.5 (0.7) |
| Brent Walker | Dec. | 930 (652) | 14.6 (6.4) | 1.75 (1.38) |
| B. & C. Shipping | Dec. | 28,640 (28,580) | 43.7 (34.8) | 12.5 (10.59) |
| Brown (N.) | Mar. | 1,870 (1,010) | 10.7 (6.8) | 3.33 (2.51) |
| Caffyns | Mar. | 804 (911) | 10.7 (22.7) | 4.0 (8.2) |
| Chloride Group | Mar. | 18,700 (29,000) | 11.9 (20.4) | 4.0 (8.1) |
| Churchbury Exts. | Mar. | 439 (381) | 14.8 (11.7) | 9.0 (6.7) |
| Continuum Stat | Mar. | 480 (248) | 3.8 (4.7) | 4.3 (2.78) |
| Crosby Spring | Mar. | 673 (1,012) | 12.5 (7.2) | 0.87 (0.79) |
| Dwek Group | Dec. | 280 (246) | 3.8 (3.1) | 0.24 (0.22) |
| Edthro | Mar. | 1,240 (3,020) | 17.2 (28.6) | 5.03 (8.03) |
| Finlay (James) | Dec. | 11,030 (12,140) | 15.2 (16.4) | 5.75 (5.08) |
| Geover Tin | Mar. | 714 (1,023) | 13.9 (31.4) | 8.4 (8.71) |
| Great Portland | Mar. | 7,020† (5,750)† | 6.2 (4.8) | 5.0 (3.38) |
| Hill Samuel | Mar. | 7,690† (7,730)† | 11.9 (12.1) | 5.85 (5.32) |
| Intl. Timber | Mar. | 8,740 (8,950) | 28.0 (27.1) | 8.9 (8.09) |
| Mansfield Brew. | Mar. | 4,230 (3,230) | 15.0 (13.0) | 3.25 (2.88) |
| Mar. 200 | Mar. | 58,640 (58,200) | 47.5 (37.3) | 20.3 (13.08) |
| Ocean Wilsons | Jan. | 2,960 (3,180) | 11.9 (13.3) | 4.5 (3.5) |
| Pawson (W. L.) | Mar. | 906 (448)† | 8.3 (8.5) | 3.15 (2.29) |
| Premier Oilfields | Mar. | 250 (10) | — (—) | — (—) |
| Rowlinson Con. | Mar. | 63 (56) | 0.5 (0.2) | 0.61 (0.61) |
| Sammel (Sh'm'n) | Dec. | 98L (95L) | — (—) | — (—) |
| 500 Group | Dec. | 9,660 (11,890) | 19.2 (12.5) | 5.25 (4.87) |
| Spear (J. W.) | Dec. | 1,630 (1,820) | 24.4 (25.1) | 6.0 (2.11) |
| Stavely Inds. | Mar. | 7,310 (11,250) | 41.7 (62.8) | 13.0 (12.0) |
| Snurrie Clothes | Mar. | 23 (384) | 1.8 (6.8) | 1.5 (2.5) |
| Tern Consulate | Jan. | 401† (277) | 18.5 (11.3) | 4.0 (3.6) |
| Times Veneer | Dec. | 274 (197) | 2.6 (2.3) | 0.6 (0.45) |
| Torday | Dec. | 832 (806) | 58.8 (58.3) | 10.8 (10.0) |
| UKO Intl. | Mar. | 3,870 (3,361) | 20.8 (18.0) | 9.88 (8.88) |
| Valor | Mar. | 2,520 (2,140) | 17.6 (14.5) | 2.68 (2.08) |

INTERIM STATEMENTS

| Company | Half-year to | Pre-tax profit (£000) | Interim dividends* per share (p) |
|-----------------|--------------|-----------------------|----------------------------------|
| Barget | Mar. | 130L (178) | — (—) |
| Denby (Henry) | Mar. | 46L (289) | — (—) |
| Elson & Robbins | Mar. | 1,120 (980) | 1.51 (1.51) |
| Everard Brew. | Mar. | 629 (—)† | — (—) |
| Fairline Boats | Mar. | 264 (283) | 1.7 (—) |
| Freoch (Thomas) | Mar. | 926 (775) | 2.0 (1.4) |
| Grand Mel. | Mar. | 61,200 (50,700) | 2.88 (2.5) |
| Hanson Trust | Mar. | 16,100 (12,500) | 3.75 (3.33) |
| Northern Foods | Mar. | 14,810 (12,040) | 2.0 (1.86) |
| Norfolkham Brk. | Mar. | 271 (205) | 2.0 (1.78) |
| Satchi & Satchi | Mar. | 1,400 (1,130) | 2.64 (2.11) |
| United Spring | Mar. | 1,030 (815) | 0.94 (0.61) |

(Figures in parentheses are for corresponding period.)
* Dividends shown except where otherwise stated.
† For previous 63 weeks. ‡ Pre-tax revenue. § First half-figures not published before. ¶ For 13 months. ** After tax profit.

Rights Issues

Applied Computer Techniques—Rights issue on the basis of one for ten at 280p per share to raise £200,000.
Continuum Stationery—One for one.
Great Portland Estates—One for four.
Ocean Wilsons—One for one.
Premier Oil—One for ten.
† Approximate figures before expenses.

Scrip Issues

Carless, Capel & Leonard—Rights issue of 9,889,864 ordinary shares of 10p each at 100p per share on the basis of one for four to raise £8.5m.
Crosby Spring Interior—One for one.



There are some things which you just can't manage from a UK office.
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BOOKS

Gravity man

BY C. P. SNOW

A Portrait of Isaac Newton
by Frank E. Manuel. Muller.
£11.75. 473 pages.

Isaac Newton is the only Englishman whom his peers everywhere acknowledge without qualification as the greatest of them all. Shakespeare? Not quite. There are other claimants in other societies: Homer, Pushkin, Cervantes, Dante. But all scientists in all countries agree that Newton was the supreme scientist of all time.

He was, however, not an admirable man. This is disappointing, but cannot be fudged or brushed away (Maynard Keynes would have liked it, but gave up the attempt). On the whole, the great scientists have been good human beings. Newton's successor, Einstein, the only one who can begin to survive in Newton's company, had moral as well as intellectual grandeur. So had Niels Bohr, the father figure of physics as we now know it. In more subdued fashion than Einstein, Bohr was a man humanly accessible and humanly noble.

Newton was none of those things. He had a good many of the most unamiable vices. He was envious, without any trace of generosity, possessive of his scientific credit to a pathological extent, closed to human contact, except with disciples, who might be useful in increasing that same scientific credit. He was vindictive and revengeful, persecuted his enemies, or those he imagined to be enemies, while they were alive and traduced them beyond the grave.

In middle life, his scientific creation behind him, he showed himself to have immense practical ability. First as Warden of the Mint (oumber two, and

chief executive) and then as Master. But he showed some of his splendid ability in a way which would not have been congenial to other great scientists. He turned himself into something like a high powered tax inspector on the track of fraud—the fraud in Newton's domain being coining false money, a common activity in the late 17th century, and a capital offence.

Newton threw himself into the extirpation of coining with the same total concentration that he had previously brought to the writing of the *Principia*. He made acquaintances among underworld characters, in-farmers and spotters, who might a little later have come out of *The Beggar's Opera*. He conducted the interrogation of suspects himself. He did it with his masterly lucidity and inflexible strength of will.

The suspects came to know him. He was regarded with fear and respect in criminal London. When the suspects were duly convicted, they appealed to him for clemency. Newton gave his opinion, which was in effect a verdict, to the Treasury. If the coiners were let off, they would only return to their crime. It was much more desirable to let them hang. Which, unless they turned reformer, rapidly happened.

Dr. Frank Manuel, who is a professor of history at Brandeis, provides in this new biography much information about Newton's tenure at the Mint. It is this capacity to search for information anywhere that will give permanent value to the book. It is in many ways an excellent biography, well written, executed with all the resources of contemporary

American scholarship. Manuel could have spent a little more effort on 17th century Cambridge—quite a lot is known, and there are plenty of primary sources. The book suffers very little from the author not being a scientist himself. He is sometimes not so confident in discussing Newton's major work as he is elsewhere, but he makes up for it by his historian's sense. He shows that Newton's attempts at alchemy were perfectly natural and rational activities for a 17th century scientist.

The history is fine, scholarly, considered, never done in anything like this depth before. Just for that, the book will survive. But it also contains a great deal of psycho-history. Manuel is a fervent believer in psychoanalytical explanations, as fervent as only Americans appear able to manage. To most of us human behaviour is too complex, and often too strangely random, to be neatly explained away as the result of simple, and often single, identifiable causes.

Certainly Newton was profoundly attached to his mother, and to her memory. But so have many men been attached to their mothers. The statement doesn't tell us much about the individual Isaac Newton. It doesn't have any bearing on his wonderful powers of mind, nor on the twists and turns of his various vendettas. At a pinch, it might be permissible to suggest that the devotion to his mother starved Newton of other affections: but that takes us nowhere near the versatile ferocity of his destruction of Robert Hooke, Flamsteed, Leibniz, anyone who disturbed his passion, which endured until he died, for scientific empire building.



Alberto Moravia—a new drawing by Judith de Beer

Moravia's misfit

BY ISOBEL MURRAY

Time of Desecration
by Alberto Moravia. Secker and Warburg. £6.50. 376 pages.

Time of Desecration is a grim and angry novel, and an ingenious one. It takes the form of a dialogue between the author and the heroine, Desideria. With the help of the author's interventions and demands for explanation, Desideria tells the story of her life, effectively the story of her teens.

The Desideria we first meet is memorable and far from engaging: she is 13 and gluttonously fat. She retreats from any problems to the refrigerator door, and fills her face. A major problem is her mother, Viola, a rich Italo-American widow, who is wounding disappointed by her clumsy, lumpy daughter. And then something happens which changes Desideria's life entirely. According to the girl, she is visited by a voice almost in the manner of Joan of Arc. But her voice is not religious, or from God: it is enigmatic, authoritative, and apparently from a far Left or Communist source.

The voice visits Desideria some time after the most outwardly dramatic and traumatic event of her adolescence. One night she sets off for the refrigerator, remembers the key is in her mother's room, bursts into the room in the full confidence that her mother is out—and finds a very explicit and unusual sexual situation involving her mother, the current representative of a series of "governesses" and her mother's man of business. In a subsequent scene Viola informs Desideria that she is adopted, that her mother was working-class, a prostitute, and Desideria moves from a fat, helpless adoration of her mother to something near utter coldness, although this is never dependable.

In a couple of years the fat unhappy girl dissolves into a sharply beautiful slim one, and it is the newly slim Desideria who hears the voice and its message of ultimate revolution. First, she must transgress and desecrate every value she has been taught to hold in any way sacred. This is a long programme, which is described in great detail, and the desecra-

tion is systematic, although often it may be symbolic.

It may be hard for the reader to imagine how this list progresses, if he knows that the first manifestation of the voice involves Desideria going home with a prostitute, pretending to believe she is her mother, making a high financial deal over the value of her virginity, and at the behest of the voice attempting to kill the prostitute with a knife. Only after that begin what are called "The Criminal Years."

In those years, the sacred character of property, culture, religion, language are all violated in obedience to the voice: each value must be desecrated, by means which are usually sexual or excremental. Sexuality itself must also be desecrated, as it is the prime value of the bourgeois adoptive mother, Viola.

Two things in particular hold the interest as the book progresses: how far can the protagonist go without technically losing the virginity she has vowed for the time to keep—and, much more importantly, what is the real character of the voice? At first it seems a manic dogmatism of the Far Left, which is to be accepted as correct in its demolition of bourgeois values. Certainly it demolishes many of them effectively enough, with energy and disgust. But signs build up that Communism isn't the essential here: it is the critique of contemporary Roman (and Western) society, which can be undertaken from any convinced point of view, occultism, Catholicism, Fascism.

The adoptive mother falls in love with the slimmed-down child, and seeks to impose her ideal of sex à la fois, while the voice tries to manipulate Desideria into a political group, the opposite, apparently, of orgy. As the book goes on, Desideria is more and more critical of the voice, and describes it as sounding mad, although she continues to obey more often than not, and it is very powerful.

The effect of the book is chilling and disgusting. No attempt is made to titillate the reader, for the final reaction is to be one of total revulsion from the permissive society.

Air borne

BY MICHAEL DONNE

"Fly Me, I'm Freddie"—a biography of Sir Freddie Laker

by Roger Eglin and Barry Ritchie. Weidenfeld & Nicolson. £7.95. 230 pages.

Sir Freddie Laker has earned a well-deserved reputation over the years of being the one man in British air transport who has been able successfully to challenge the Establishment—with the result that his cut-price Skytrain service between Gatwick and New York and Los Angeles was able to take off after years of frustration to become one of civil aviation's major success stories.

Sir Freddie has always had that gleeful stamp of irreverence for the established order that characterised the buccannery of old, and he has indeed been called a buccannery by both friends and enemies—the former in admiration and the latter in total frustration. For the fare-paying public, he epitomises the successful David pitting himself against the remote and awful Goliath, and his followers are legion.

This brightly-written little book must add to that reputation. Certainly, it does nothing to detract from it. The authors make no deep analysis of Sir Freddie's psychological processes, but content themselves with a straightforward account of this remarkable man's rise to fame and fortune from the tanks.

everything in aviation, from flying aeroplanes on the Berlin Airlift, through breaking aeroplanes up for scrap, to buying them and selling them again, and setting up airlines, running them and selling them also. In the process, he has created a personal fortune, but he begrudges him that success, and he remains the volatile, bubbling Freddie that so many of his friends remember from the early post-war years.

The book is unfinished, because Sir Freddie's own saga is unfinished. His Atlantic Skytrain is functioning well, and making money. The fares on the Atlantic have come down, thanks to Sir Freddie's unremitting struggle, and he is expanding his routes, and buying more aircraft, including the highly successful Airbus.

The enthusiastic champion of cut price air fares is battling on. He has now turned his attention to the European arena, and more than one scheduled airline executive is trembling at the prospect of what he will do. Sir Freddie has already told them, had they the wit to listen. He has said that if he does not get his way over cheap air fares in the UK, he will take the whole case to the European Court, convinced that the Treaty of Rome is on his side. There is still a lot of fight in Freddie, and much more is going to be heard of him in the months and years to come. Hopefully, he will yet be able to encourage passengers in Europe, to "Fly Me, I'm Freddie." They will certainly know what he means.

Sage of Skerryvore

BY PETER QUENNELL

RLS: A Life Study
by Jenni Calder. Hamish Hamilton. £6.95. 362 pages.

Towards the end of April 1885 the middle-aged Henry James, then temporarily established at Bournehead, was near his convalescent sister, handed in his card at "Skerryvore," the ivy-clad villa, originally christened "Seaview," that Robert Louis and Fanny Stevenson had re-christened after "the most difficult, and beautiful of all the lighthouses" erected by his engineering family. James had once before met Stevenson, and had not definitely accepted him; "a pleasant fellow," he noted, "but a shirt-collarless bohemian," and something of a literary poseur.

On this occasion, however, they struck up an immediate friendship, and more surprisingly, the sedate and circumspect James was pleased with his strange compatriot Fanny, the kind of bold and adventurous American female he had seldom previously encountered, who recalled the wildest features of his native landscape. "If you like the gulch and the canyon, you will like her," he informed a correspondent.

Fanny returned his affection. She had often heard, she told her mother-in-law, that Mr. James was now more English than the English; but, notwithstanding his strong resemblance to the Prince of Wales—James had still a neat beard—"I call him the type of an American. He is gentle, amiable and soothing." The chair he occupied during his long visits soon became known as "Henry James's chair," and when he left Bournehead, he was none too happy to go. "After ten weeks of Henry James the evenings seem very empty, though the room is always full of people."

The great man's arrival was opportune: he had begun to lose his faith in modern literature. A small group of young French novelists alone, despite "their ferocious pessimism and their handling of unclean things," did the kind of work that he respected.

"They are at least serious and honest. The floods of tepid soap-and-water which under the name of novels are being vomited forth in England, seem to me, by contrast, to do little honour to our race."

Stevenson, on the other hand, James believed, was a genuinely devoted writer, whose sense of literary purpose was his ruling passion. He, too, valued craftsmanship and despised the slipshod and the superficial; and at Bournehead, his creative energies had been particularly well employed. He had finished *Kidnapped*, the story that, with its splendid central section, "The Flight in the Heather," is probably his masterpiece. Here he displays both his poetic imagination and his extraordinary gift of realistic observation conveyed through a multitude of vivid details, such as the account of his hero's astonishment when, from the summit of a huge sun-baked rock, on which the fugitives have been hiding since noon, David listens for the first time to the Cockney accents of a roving English soldier.

The soldiers kept stirring all day in the bottom of the valley... and they would sometimes bang about our rock, so that we scarce dared to breathe. It was in this way that I first heard the right English speech; one fellow as he went by clapping his hand upon the sunny face of the rock on which we lay, and plucking it off again with an oath. "I tell you it's 'ot," says he.

Besides applauding the portrait of Albrecht, James wrote "The Flight in the Heather," magnificent; and, having himself a keen appreciation of the morbid, he may also have responded to the pictures Stevenson evokes of David's sufferings on his dreadful journey, which reflect the states of gloom and lassitude and despair that chequered the younger novelist's existence. James, at once, was not the only distinguished contemporary who revered the author and delighted in the man; and, given the interest of his life and work, and the high position that he once held among late-Victorian men of letters, it seems odd that he is so little studied today, and that even his best books have sunk to the dismal status of recommended "must-reads."

Perhaps the explanation may lie in Stevenson's nature. Though warm-hearted and enthusiastic, he was an exceedingly elusive person. He refused to be pinned down, to give Sargent's famous conversation piece, which depicts the Stevensons at "Skerryvore,"

shows him darting across the stage. Lightly, laughing, his moustache, a witty eye upon the painter, as if he meditated making a rapid exit through the open door behind. Edmund Gosse's lively verbal sketch strikes very much the same note. Louis, he reports, had "prowled about the room in his usual noiseless painter's slippers, radiating a charm and bonhomie that did not conceal a shade of sorrow. He was leaving next day for America and South Seas, from which he may not have expected to return."

Whatever the cause, Stevenson has certainly eluded a series of 20th-century biographers. James Pope-Hennessy, who had brilliantly portrayed Lord Broughton and, in *Verdugo*, his cousin, the grand old father, Sir John, one of the most erratic and eccentric of Victorian civil servants, and dealt in an illuminating volume with a far more intractable subject, Anthony Trollope, could not quite bring Stevenson to life. His portrait remains nebulous, as does the present "Life Study," published by Mrs. Jenni Calder. "Through the web of records and references she has woven around him he somehow persistently escapes, and, since Stevenson was 'above all else a stylist,' deeply devoted to the English language, it is unfortunate that his latest biographer's prose style should be frequently pedestrian; that she should make use of the adious word 'superior'; announce that a Scottish loch is still 'a treasured spot for connoisseurs of the picturesque'; and suggest that the European encroachment on the South Seas was 'perhaps one of the seediest imperialist operations ever.'"

Yet Mrs. Calder supplies the basic facts; and from those facts, carefully and sensitively arrayed, a reader is free to draw his personal conclusions. Stevenson was an immature genius; the characters he introduced, except to depict for Alan Brock, are very often rudimentary, and it is his story that vivifies and carries them along. Unlike his admirer James, he was a man in a desperate hurry. Racked by tuberculosis, doomed to die at the early age of 44, he had no time to let his talents ripen. Nor, indeed—again unlike the Master—was he much concerned with ripening; Stevenson was always in love with the idea of youth. "I was born a young man," he wrote to his friend and biographer, John Galsworthy, "and I have continued so."

Cranks Inc.

BY JEFFREY MEYERS

The Harmonious Circle
by James Webb. Thames and Hudson. £10.00. 606 pages.

The biographer of Gurdjieff, Ouspensky and their followers must inevitably combat a campaign of mystification—from both books and disciples—that makes it difficult to discover the truth. James Webb, who does not state his own beliefs about mystical experience, has done exhaustive research and told a lively story. But he seems too credulous to deal with the slippery facts that "dissolve into shadows." His scepticism disappears as the book progresses, he surrenders all critical judgement and writes "He continued his pilgrimage to those holy and enigmatic places where he might decode the biography of the world." "He was illuminated." "Meaning poured itself out upon him from so many unnoticed portions of the universe."

George Gurdjieff, born of Greek-Armenian parents in Caucasian Russia, held the now fashionable idea that he could pick up profound knowledge while travelling through Central Asia. Webb argues that Ushe Narzunoof, a Tatarist spy in Tibet, was actually Gurdjieff, but this interesting theory is more suggestive than convincing. Gurdjieff became a "historical fact" in 1915 when he met Ouspensky in Moscow and began to lead a cast of characters out of Gorki's underworld. He was ruined by a personal fortune, but he begrudged him that success, and he remains the volatile, bubbling Freddie that so many of his friends remember from the early post-war years.

The book is unfinished, because Sir Freddie's own saga is unfinished. His Atlantic Skytrain is functioning well, and making money. The fares on the Atlantic have come down, thanks to Sir Freddie's unremitting struggle, and he is expanding his routes, and buying more aircraft, including the highly successful Airbus.

The enthusiastic champion of cut price air fares is battling on. He has now turned his attention to the European arena, and more than one scheduled airline executive is trembling at the prospect of what he will do. Sir Freddie has already told them, had they the wit to listen. He has said that if he does not get his way over cheap air fares in the UK, he will take the whole case to the European Court, convinced that the Treaty of Rome is on his side. There is still a lot of fight in Freddie, and much more is going to be heard of him in the months and years to come. Hopefully, he will yet be able to encourage passengers in Europe, to "Fly Me, I'm Freddie." They will certainly know what he means.

quite seriously of "the monkey he has bought which is to be trained to clean the cows."

After his car crash in 1924, he lost his driving powers, closed the institute and concentrated on hypnotising drug addicts and alcoholics. He temporarily attracted famous writers like Hart Crane, Jean Toomer and Kenneth Burke during his years in America. But in the 1930s Dr. James Young, A. R. Orage and P. D. Ouspensky, who had persuaded Katherine to enter the Institute, all quarrelled with Gurdjieff and publicly repudiated his teachings.

Webb concludes that "The Work is a method of higher education which has been of great benefit to large numbers of people." But his own abundant evidence suggests that no valid idea or positive good emerged from the teachings of

the man Wyndham Lewis called a "Levantine psychic shark." Edmund Wilson, who was part of the New Republic circle that was sympathetic to Gurdjieff, asserted:

"The Russo-Greek, charlatan undertook to renovate the personalities of well-to-do persons. He combined making his clients uncomfortable in various gratuitous ways with reducing them to a condition of complete docility."

And D. H. Lawrence, who was not immune to mysticism but resisted conversion to Gurdjieff, declared:

"I have heard enough about that place at Fontainebleau where Katherine Mansfield died, to know it is a rotten, false, self-conscious place of people playing a sickly stunt. One doesn't wonder about it at all. One knows."

Crimes

BY WILLIAM WEAVER

The Kohler Link by Arthur Maling. Gollancz. £4.95. 244 pages.

Who would believe that a serious brokerage firm could become credibly involved in murders? And yet Mr. Maling's *Kohler Link*, and *Peterson's* since their invention three books ago, have seen almost as much mayhem as the 37th Precinct. Brock Potter, the most active member of the partnership, this time is brought directly into the aftermath of a bloody shooting, thanks to the unexpected intervention of his drab, usually efficient secretary. Sacrificing his Christmas vacation, Brock pursues the solution of the crime, and finds it, but not until more blood has been spilled (including some of his own). Nice, very nice, Brock dialogue, in a well-defined and convincing context. All thoroughly professional, and thoroughly enjoyable. One little Beckmesser quibble: the misuse of "presently" (page 162); jars, in this otherwise impeccable prose.

The Counsellor Heart by Pauline Glen Winslow. Collins. £4.75. 241 pages.

Mrs. Winslow has made a specialty of the London demon, and for this book she has invented an organisation that runs some "Fangs" clubs with pretty girls dressed not as bunnies but as woodland sprites. One of the sprites is horribly murdered. A Chief Superintendent's wife is kidnapped, at the same time, by

terrorists. The latter crime is the one that most concerns Superintendent Capricorn, but he is forced to work on the murder case. Eventually, of course, the two dramas are connected. An unusual cast of characters in which Bridget, the abducted wife, stands out. Nice, sleazy background.

They Stay for Death by Sara Woods. Macmillan. £4.95. 192 pages.

Anthony Maitland, O.C., Mrs. Woods's ingenious hero is set another baffling problem: a series of suspicious deaths in a nursing home for the elderly. Needless to say, he solves the mystery, but takes just long enough to allow the author to create a number of brief, believable, marginal characters. The usual detail job.

Paints and Lines by Seicho Matsumoto. John Martin. £6.95. 159 pages.

The first English translation of one of Japan's most popular authors. An excellent choice, since the novel has a fascination that will attract foreign readers. Traja, in particular, will enjoy Assistant Inspector Mihara's untangling of a flimsy plot, since the detection is mostly done with schedules and time-tables in hand. What seems to be a case of shadow, or romantic double suicide, proves instead to be a complex murder. The story is remarkably concise, but rich in colour and head obsession.

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COSMETICS

FINANCIAL TIMES REPORT

Cosmetics have traditionally done well in times of recession. Women were still prepared to spend money on smaller luxuries—a new lipstick, a bottle of perfume—to help them put a brave face on major economies. But this time the cosmetics industry is feeling the pinch—as Lucia Van der Post explains.

Sweetness, light and tough competition

THESE IS hardly a more competitive industry in the world than the cosmetics business. Though the surface image, as presented to the consumer, is full of glamour, sweetness and light, behind the scenes the industry is a tough, competitive market. At the very least a static market is tougher than ever.

The cosmetics industry is not used to bad times. Historically, it has always gone on doing well even in times of recession. As the managing director of one of the major up-market beauty houses, Lancôme, put it: "There's only one thing worse than being poor and that is looking poor."

In the past, when times have been hard, the average woman seems to have felt that if she couldn't afford a holiday or even just a new dress, well, then she could keep up her looks and her morale by buying the smaller luxuries in the shape of cosmetics.

This time round the consumer hasn't reacted true to form. It is no secret that the trade in general is feeling the draughts of a recession and though there are odd quickies in the overall trading patterns, on the whole it seems to be true that the top end of the market has been doing very well and the bottom continues to flourish. But those companies that have been shining their products at the broad middle of the road consumer have been feeling the draught.

There are many reasons for this. One of the causes is undoubtedly that the department stores, where much of the beauty business is done, have been feeling the effects of the recession much more deeply than other sections of the market. As fewer people pass through their doors, so fewer are tempted towards the beauty counters.

Also, it is felt that whereas in the past any woman who felt short of cash saved on the big things and lashed out on the small, this time round cosmetics themselves no longer carry such an insignificant price tag. Not only have prices gone up but the increase in the level of VAT didn't do much to help.

So it appears that women now are not doing without.

The only way for companies to improve their own performance is by expanding their share at the expense of someone else.

cosmetics altogether but are taking care to use them more efficiently, to finish a lipstick or their eye-shadow to the end before experimenting with something new. And in a business which, rather like the motor industry, makes a lot of money out of the bits and pieces left in the bottom of the

pots and the tubes, the cumulative effect is quite significant.

Another of the reasons is that as one expert put it to me, "the markets have reached maturity." This means that the market is already so highly developed and there is already such a vast selection of high-quality products available, that the scope for real innovative development is limited.

There does not, after all, appear to be a lot more that can be done with a lipstick or a face powder, though the scope in the area of skin-care and the toiletries line (for instance, anti-dandruff shampoos and the like) would appear to offer more scope.

The other difficulty is that when new products do emerge they are so expensive to bring to the attention of the public. Men's toiletries and fragrances are an area that many companies feel will be expanding (though one or two have caught quite a cold in trying to be ambitious in their planning in this line). The Beecham Group plans to spend somewhere in the region of £1m in the launching of Pagan and Jovan in the months to come.

So far the time being, giving the dearth of new products, and the sense that the market is at best static and at worst, declining slightly, it is obvious that the only way for companies to improve their own performance is by expanding their share at the cost of somebody else.

This is behind the very aggressive marketing to be seen at beauty counters and in the magazines and newspapers up and down the country. Though all the special offers and the little give-aways that tempt new buyers are splendid for the consumer they are very expensive for the companies to run and either put up the eventual cost to the consumer or put an even greater squeeze on profits.

All the reputable companies (and as one of the major producers put it to me, "in this business there are no bad products but there is a big difference between the very highest levels and the acceptable levels") spend very large sums on research and development, on making sure that products really do what they say they do, that they are as pure and as little likely to cause any allergic reaction as it is possible to be.

This effort, coupled with the huge costs of promotion and packaging (in this game where you are selling mystery and allure, packaging is an essential part of the appeal and no matter how practical the woman the packaging is still likely to influence her greatly) are just some of the other factors that make it such an expensive and risky business.

Because the industry as a whole has been caught on the hop both by the depth of the recession and their unexpected vulnerability to it, not every body is quite sure where to go from here.

Some companies are quite sure that skin-care is the line to go for—after all, women may make their lipsticks last a little longer, but they are not going to risk wrinkles or crepey necks.

There will always be a place for the really up-market products, for the beauty houses.

Elizabeth Arden's Millenium was put on to the market in the spring and although it is not cheap (the four basic products cost about £69.50), it is reported to be doing extremely well. Lancôme, another up-market company with a strong tradition of loyalty from their users has launched an imaginative attempt to capture their customer's interest in skin-care with their Progres treatment creams. This, too, has got off to an exceptionally good start.

The whole skin-care treatment area is likely to receive a further shot-in-the-arm with the launching in the autumn of Estée Lauder's Prescriptives and certainly the department stores, which need a shot-in-the-arm like most of us need vitamins, is awaiting its arrival with bated breath.

What is perhaps interesting to observe is that buying patterns are changing and beauty houses will have to take note of this in their future planning.

Whereas in 1975 department stores used to have 58 per cent of the cosmetic business, by 1979 this had dropped to 55 per cent, whereas in the same period Boots share of the market had risen from 29 per cent to 32 per cent.

Boots have run a very aggressive campaign to promote this side of their business and it has obviously paid off. There seems a great trend for those who need to buy more expensive names to feel that they could at least give the new Boots No. 7 (which is doing significantly well) a try—after all, it is roughly half the price.

Aggressive marketing seems to be more and more essential and it is perhaps part of the explanation for the continuing success of Avon. Its direct-to-the-home selling method has given it some 10 per cent of the market.

With its special monthly offers, the company seems to be holding its share of the market but a newcomer to the scene, a Swedish company called Oriflame, which sells its products through the party-plan system pioneered by Tupperware, has in some areas got as much as 8 per cent of the market.

A lot of business has probably



Promenade en Provence—Lancôme's look for this autumn.

been lost by the small independent chemists and small multiples. The gain seems to be going mostly to Boots and to the stores like Sainsbury's and Tesco's, which are now selling make-up along with the tins of baked beans.

As for the department stores, those traditional bastions of glamour, it looks as if they will have to work a little harder at keeping or improving their share of the business. But they have a lot on their side: if they can continue, as one store buyer put it, "to offer the woman who comes into our departments an experience, to be more generous with samples and in letting her try out products, then we should be able to make her still feel that buying cosmetics is something special."

There will always be a place for the really up-market products, for the beauty houses (like Lancôme, Estée Lauder, Clinique, Elizabeth Arden and

so on) that take the time and the trouble to train their beauticians and really to inform them about the products so that they in turn can offer advice and personal attention.

There will also always be a place for supermarket shopping—it is certainly easy, cheap and convenient to be able to buy a lipstick or an eye-shadow while you pick up your groceries—what is not so certain at the moment is the role of the companies in between.

As the up-market companies expand their lower ranges to cope with the rising aspirations of the middle group and as the poorer of the middle group start trying out cheaper products, the ones in the middle are being squeezed.

What is needed for all to survive is a general expansion of the market. It is generally agreed that it may come in the autumn—but another year's wait is probably more likely.

Why the fragrance market is so fickle

IT IS no secret that fashion in the world of fragrance (as the industry likes to call it) is as fickle as fashion in clothes and much more fickle than fashion in make-up. Though the average woman shows considerable loyalty to any skin-care regime which she believes in and chooses to follow, she changes her fragrance much more often.

If you try to find out what is happening—in the whole fragrance world—a very confusing picture emerges. On the one hand total sales are definitely down. It seems generally agreed that the market has been going through relatively hard times recently (for instance, sales were running at about £71m in 1978 and fell to about £68m in 1979) but one of the major retailers, Boots, reports that sales of quality French fragrances are up by 40 per cent. What this obviously reflects is changing patterns of shopping.

It is generally known that department store sales have been exceedingly depressed recently. Women do not seem to be buying clothes, or white goods and so there is much less through-traffic in the department stores which probably accounts for the fact that sales of fragrances are down. On the other hand women are still coming in to Boots to buy their toothpaste and their petfoods and are, therefore, susceptible to well-promoted fragrances.

The last eighteen months has seen a dramatic increase in the number of expensive, high-quality French scents, so it must follow that not all of them can be doing very well. Most of those who are connected with the perfumery business know that most fragrances are launched with a limited time-span in view—if you are lucky you hit on a truly great classic which lasts



A woman's right to choose—but will she choose the right one? At one time a woman chose a "classic" scent which she felt was truly her, but now she experiments more freely—and the choice of expensive French scents has increased dramatically.

for generations—but a successful fragrance is one that sells well for five years, at which point it peaks. From then on it should have another ten years of good sales but after that it is usually time to think of a replacement.

The patterns of buying have changed in recent years. Whereas once a woman chose a great classic scent that she felt was truly "her", and thereafter stuck to it through thick and thin, nowadays she tends to experiment with a whole wardrobe of scents.

Fashions are changing at the same time. Old-fashioned great perfumes used to have something a little understated about them—though they lasted well,

the wearer could not smell them on herself. Today's scents must, above all, be strong and must last and the modern woman feels confident if she herself can smell it, too.

The great successes at the moment are the heady, mysterious Oriental scents. Opium was the first of this spicy band and marked a changing point in the whole market. It has been the success of the decade and was one of the most cleverly packaged and marketed scents the world has ever seen. Since then a whole host of spicy scents has reached the perfumery counters—Estée Lauder's Cinnabar, Guerlain's Nabenna (though Shalimar, just as Eastern and exotic in my

view, is much older and still going strong), J'ai Ose, Magie Noire and many more.

Designer names help to sell the great scents—just as Dior, Chanel, Guy Laroche and Jacques Fath have all put their names to great and lasting scents (in many cases the scent has long outlasted the couture house). So today new designer names are coming into the perfumery world. Balmain (under the aegis of Revlon) has just launched Ivoire, another in the exotic, mysterious Eastern mould. Oscar de la Renta has stunned us all with one of the most beautiful scent bottles ever produced—a crystal flower with a dewdrop on the top and a fragrance that is rich and

floral. Sonia Rykiel has produced her own 7e sense and coming later this year is perfume by Zandra Rhodes.

Such has been the success of the couturier scents that Lancôme, which runs a highly successful perfumery division, decided to launch their French Quarter concept, which offered prospective customers a special counter selling the perfumes of four famous couture houses—Guy Laroche, Andre Courreges, Ted Lapidus and Jacques Fath. The idea was that both men and women (for they offer fragrances for both sexes) need a little glamour and advice when making their purchase.

It is interesting to observe

that running in counterpoint to this demand for strong, lasting exotic scents is another trend in favour of little old-fashioned shops which sell pure floral essences which the customer can mix and blend as she chooses. These new floral essences have a lovely nostalgic air about them and go hand in hand with the demand for cosmetics based on purer, more natural ingredients.

Though many of the shops that sell these scents are small, their influence is very wide, attracting as they do a very chic clientele. Penhaligon's was only reopened about five years ago but its lovely, old-fashioned special fragrances have a very faithful following. For instance, there is Blenheim, created specially for the Duke of Marlborough at the turn of the century, and Jubilee Bouquet created over a 100 years ago for a few very special customers.

The Perfumers' Workshop, which offers about 64 essential oils, all of them single-note floral essences, is another newly-fashionable way to create a distinctive scent of your own. You buy the essences and the accessory solutions and then you make your own bathoils, colognes and so on.

To be a successful perfumery house these days requires antennae as alert and alive as any radar system—he who reads the signs aright will survive; he who is sure of what he is marketing and to whom will at least have a sporting chance. It seems just the other day that the whole cosmetic world was revitalised by the birth of Revlon's Cherie and a whole new era of medium-price fragrances was launched. To paraphrase Wilson's famous remark about politics—"Five years in the perfumery world is several lifetimes."

Beauty business goes back to nature

ALTHOUGH they are nothing like so important in financial terms as the large cosmetic companies, a group of small beauty companies who base their appeal on the use of natural ingredients is beginning to have an impact out of all proportion to their size. Not only do these companies offer the average consumer a much wider choice of product, but they are also beginning to make many of the larger companies sit up and take note of what they do and why it is they have such faithful followings.

Of course, herbs and natural ingredients are nothing new—once upon a time they were all we had—but now they are having something of a revival with certain sections of the population.

The Beauty Without Cruelty range of skin products was one of the first and smallest in this field. Though the selection of make-up it offers is nothing like as fashion-conscious as the more professionally-marketed cosmetic ranges, there was and is a section of the market prepared to sacrifice sophistication for the knowledge that no animal has suffered in the testing or the manufacture of the range.

There are many other small

beauty houses with loyal followings all of their own. Many of them never aim to be world-wide in size—they base their appeal on the purity of their ingredients and don't go in for large advertising budgets or extensive marketing exercises.

Besides the appeal of the packaging, which usually features enchanting wild-flowers and herbs, many people are drawn to products like these because of the discovery that they are allergic to some ingredient in the more chemically-based ranges. Though all the reputable companies emphasise the immense care they take to test any new product or ingredient before launching it on the market, it is unfortunately true that increasing numbers of women do suffer from a growing list of allergies.

Companies which are able to claim that their selection of skin-care and make-up products are based largely on plants and herb extracts obviously have a great appeal, not only to those likely to suffer from allergies but also to those who favour the current taste for the natural and the rural as opposed to the chemical and the industrial. Clarins is a small French company which produces a fine range of oils for treating skin

and body all of which are 100 per cent pure plant extracts. The complete complementary skin-care range, is also largely based on herb and plant extracts.

Sisley is one of the newest of such companies to launch its products on the market. A young French company, it is owned by Count Hubert d'Ornano whose family created Orlane and this week it launched in Harrods a range of 24 skin-care products and treatment cosmetics using 42 different plants. Evocative names like frankincense, myrrh, mallow and sage are to be found in their creams and lotions.

In England, Martha Hill has for some years now had a special following for her own beauty products, all of which she originally developed for her own use. The products are based primarily on herbs and plants and she only started to produce them commercially after she was pressed to do so by admiring friends and visitors.

Kitty Little was an academic who became fascinated by ancient recipes and herbal lore and when she started making little pots of skin-care creams and oils for herself, her friends began to want them, too. Her products, too, are now available

nationwide and the appeal of her plant-based products is growing daily.

Aromatherapy is based on the proper use of aromatic plants, herbs and essential oils and those who have tried it become so converted that they go on to persuade others to try it. Marietta Kavanagh is one of those who specialises in using aromatherapy to deal with a whole series of the blemishes to which flesh is heir, from eliminating the excess fluid that causes puffiness to helping to deal with cellulite and acne.

So powerful is the growing appeal of natural ingredients that there is hardly a soap or a shampoo that is launched without parading some natural ingredient like avocado, peach, strawberry or camomile.

In June 1976, Boots put a tentative feeler into this area by launching 11 products in their own herb and plant-based range called An Original Formula. Today there are 30 products in the range and they cover skin and hair care, as well as fragrances. There is every sign that its popularity is growing and though nobody anticipates that it will ever overtake Boots own market leader, No. 7, it is interesting evidence of a vigorous minority trend.

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Companies and Markets

INTERNATIONAL COMPANIES and FINANCE

S. Africa
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By Jim Jones in Johannesburg

THE AFRICAN Government is aiming to extend the scope of its stamp duty to reduce shareholdings in industry by selling off a significant part of the nationalised oil company, Eskom.

The move follows similar developments in the financial arena, where both the South African and the three state banks, and the second largest French insurance company, have recently offered shares to the public. But the Government's instructions to Eskom are potentially more important than the others. It is one of the three or four largest French companies in terms of turnover—and its impact on industry.

Previously, stamp duty was payable on registration of share transfers between Johannesburg and foreign buyers. To an extent this tended to lead to delays in registration or in some cases complete lack of registration of deals.

\$35m disposal
profit seen

AMERICAN FINANCIAL Corporation of Cincinnati expects to realise a pre-tax gain of \$35m from the sale of interests in two companies, reports AP-DV.

American Financial said it held a substantial block of shares in ERG Corporation, the insurance group which is the subject of a \$97.4 share offer from Getty Oil and that it expects a pre-tax gain of \$18m from disposing of the ERG stock.

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FRENCH GOVERNMENT MOVE

Elf Aquitaine to lower state stake

BY TERRY DODSWORTH IN PARIS

THE FRENCH Government is aiming to extend the scope of its campaign to reduce shareholdings in industry by selling off a significant part of the nationalised oil company, Elf Aquitaine.

The move follows similar developments in the financial arena, where both the South African and the three state banks, and the second largest French insurance company, have recently offered shares to the public. But the Government's instructions to Elf are potentially more important than the others. It is one of the three or four largest French companies in terms of turnover—and its impact on industry.

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groups in terms of turnover—and its impact on industry. Elf, 70 per cent state-owned, has been given three weeks by the authorities to come up with proposals for reorganising the group. In a letter to the management, however, M. Raymond Barre, Prime Minister, has already made it clear that the Government has a firm view of what it wants from the reorganisation.

Underlying this plan is the idea that Elf's enormously improved financial position — it made net consolidated profits of FF5.9bn (\$1.4bn) last year — should be used for international expansion and careful diversification while reducing its reliance on the State. The company's 1979 results, followed by earnings of around FF3.6bn in the first five months of this year, give the Government the chance to dispose of some of the equity — probably up to another 20 per cent — in healthy circumstances.

At the same time, the turnaround has allowed M. Barre to adjudicate in a long-running argument between the company, which would like complete freedom of action, and the Industry Ministry which has been insisting on its rights as the final arbiter of the company's affairs.

The letter makes it clear that M. Barre has no intention of going the whole way towards liberalisation by denationalising Elf. The most likely solution is that the state will retain some 51 per cent of the shares, slightly more than its stake in the total oil group, where 35 per cent of the equity and 40 per cent of the voting rights are in state hands.

In addition, M. Barre insists on the continuation of Elf's national role in ensuring France's oil supply — a long-standing requirement for the French oil companies — and in helping development projects in south west France.

The past year was "good all round" for Winterthur Swiss Insurance, the company said. Gross premium income, up 7.2 per cent to SwFr 1.93bn would have been substantially higher but for a change in accounting procedure which led to a temporary decrease in inward reinsurance premiums. The sum — about SwFr 100m — will be made up for next year.

Direct gross premium income of this company rose by 11.5 per cent to SwFr 1.67bn, of which almost one-half originated in Switzerland. Swiss premium growth was accelerated by the gradual takeover of property insurance from the Federal Insurance company of Zurich. Abroad, direct insurance grew by an even faster rate of 14 per cent, with particularly marked increases in West Germany and Holland.

Underwriting results were better than in 1978 with a slight deterioration in the expense ratio being more than offset by a more favourable loss ratio. While results in Switzerland were "satisfactory", underwriting losses in France over-shadowed the positive developments in almost all other countries.

"Forceful development" of Winterthur Life led to a 15.3 per cent rise in its premium income to SwFr 1.13bn. Swiss premiums rose 16.1 per cent to SwFr 1.05bn, while foreign business by 13.8 per cent to SwFr 282.3m.

A further SwFr 33.4m was accounted for by business accepted from other insurers. Winterthur Life is to begin operations in Italy this year.

Of Winterthur Life's total policy value of SwFr 39.96bn at the end of last year, about SwFr 12.93bn was foreign business. Of the whole, SwFr 32.32bn was life policies and SwFr 7.64bn pension schemes.

The two overseas banks have agreed to place sufficient U.S. dollar funds into a trust in Hong Kong (where the tax rate is lower) to generate income of \$50m (\$10.4m) over three years.

The overseas banks will also subscribe AS1.5m to a new issue of convertible preference shares

property assets. Last August of the Australian finance group involving a cash issue to all shareholders.

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Capital Holding to buy insurance company

VALLEY FORGE — Capital Holding Corporation has tentatively agreed to acquire National Liberty Corporation for about \$350m in debentures, notes and cash.

Capital Holding owns six life insurance companies which serve predominantly the south-eastern U.S. It had premium income of \$342m in 1978.

National Liberty is an insurance marketing and underwriting company which specialises in health coverage. It had gross premium income of \$245m in fiscal 1978.

Capital Holding said the payment would consist of \$110m of 25-year sinking fund debentures, \$198m of 20-year notes and \$51m cash.

The estate of National Liberty founder Mr. Arthur Demoss, which holds about 76 per cent of National Liberty's outstanding shares, has agreed to vote in favour of the transaction, Capital Holding said.

The estate has also granted Capital an option to purchase its shares if the proposed transaction is not approved by National Liberty's shareholders by January 31, 1981.

Capital said the agreement in principle provides that interest on the notes and debentures would be fixed at or near the closing date at a rate based on prevailing market rates, provided that the interest rate is between 11½ and 12½ per cent.

If the market interest rate at or near the closing exceeds 13½ per cent National Liberty could terminate the agreement. If the market interest rate is below 10½ per cent, Capital Holding could terminate it.

Capital Holding said the notes would be subject to certain restrictions on resale, adding it would fully guarantee the notes and debentures. A year-end completion of the deal is contemplated.

Following the closing and payment of certain expenses in connection with the trans-

action, Capital said National Liberty would then distribute to its holders the balance of the consideration.

As a result National Liberty shareholders, other than the estate, would receive about \$3.68 cash and \$22.29 in debentures, or a total of \$25.97 for each share held, Capital said.

The estate would receive about \$13.25 of notes, \$4.03 of cash and \$8.68 cash, or a total of \$25.97 a share.

Capital said a definitive agreement must be reached and approved by directors of both companies and by holders of a majority of National Liberty's common shares.

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FT SHARE INFORMATION SERVICE

LOANS—Continued

| Stock | Price | Yield | Div. |
|-----------|-------|-------|------|
| Financial | 100 | 100 | 100 |
| 100 | 100 | 100 | 100 |

BANKS & HP—Continued

| Stock | Price | Yield | Div. |
|-------|-------|-------|------|
| 100 | 100 | 100 | 100 |
| 100 | 100 | 100 | 100 |

CHEMICALS, PLASTICS—Cont.

| Stock | Price | Yield | Div. |
|-------|-------|-------|------|
| 100 | 100 | 100 | 100 |
| 100 | 100 | 100 | 100 |

ENGINEERING—Continued

| Stock | Price | Yield | Div. |
|-------|-------|-------|------|
| 100 | 100 | 100 | 100 |
| 100 | 100 | 100 | 100 |

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

| Stock | Price | Yield | Div. |
|-------|-------|-------|------|
| 100 | 100 | 100 | 100 |
| 100 | 100 | 100 | 100 |

FOREIGN BONDS & RAILS

| Stock | Price | Yield | Div. |
|-------|-------|-------|------|
| 100 | 100 | 100 | 100 |
| 100 | 100 | 100 | 100 |

AMERICANS

Five to Fifteen Years

| Stock | Price | Yield | Div. |
|-------|-------|-------|------|
| 100 | 100 | 100 | 100 |
| 100 | 100 | 100 | 100 |

Over Fifteen Years

| Stock | Price | Yield | Div. |
|-------|-------|-------|------|
| 100 | 100 | 100 | 100 |
| 100 | 100 | 100 | 100 |

Undated

| Stock | Price | Yield | Div. |
|-------|-------|-------|------|
| 100 | 100 | 100 | 100 |
| 100 | 100 | 100 | 100 |

INTERNATIONAL BANK

| Stock | Price | Yield | Div. |
|-------|-------|-------|------|
| 100 | 100 | 100 | 100 |
| 100 | 100 | 100 | 100 |

CORPORATION LOANS

| Stock | Price | Yield | Div. |
|-------|-------|-------|------|
| 100 | 100 | 100 | 100 |
| 100 | 100 | 100 | 100 |

COMMONWEALTH AND AFRICAN LOANS

| Stock | Price | Yield | Div. |
|-------|-------|-------|------|
| 100 | 100 | 100 | 100 |
| 100 | 100 | 100 | 100 |

LOANS

| Stock | Price | Yield | Div. |
|-------|-------|-------|------|
| 100 | 100 | 100 | 100 |
| 100 | 100 | 100 | 100 |

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BEERS, WINES AND SPIRITS

| Stock | Price | Yield | Div. |
|-------|-------|-------|------|
| 100 | 100 | 100 | 100 |
| 100 | 100 | 100 | 100 |

BUILDING INDUSTRY, TIMBER AND ROADS

| Stock | Price | Yield | Div. |
|-------|-------|-------|------|
| 100 | 100 | 100 | 100 |
| 100 | 100 | 100 | 100 |

BANKS AND HIRE PURCHASE

| Stock | Price | Yield | Div. |
|-------|-------|-------|------|
| 100 | 100 | 100 | 100 |
| 100 | 100 | 100 | 100 |

ELECTRICALS

| Stock | Price | Yield | Div. |
|-------|-------|-------|------|
| 100 | 100 | 100 | 100 |
| 100 | 100 | 100 | 100 |

FOOD, GROCERIES, ETC.

| Stock | Price | Yield | Div. |
|-------|-------|-------|------|
| 100 | 100 | 100 | 100 |
| 100 | 100 | 100 | 100 |

ENGINEERING MACHINE TOOLS

| Stock | Price | Yield | Div. |
|-------|-------|-------|------|
| 100 | 100 | 100 | 100 |
| 100 | 100 | 100 | 100 |

CHEMICALS, PLASTICS

| Stock | Price | Yield | Div. |
|-------|-------|-------|------|
| 100 | 100 | 100 | 100 |
| 100 | 100 | 100 | 100 |

HOTELS AND CATERERS

| Stock | Price | Yield | Div. |
|-------|-------|-------|------|
| 100 | 100 | 100 | 100 |
| 100 | 100 | 100 | 100 |

INDUSTRIALS (Misc.)

| Stock | Price | Yield | Div. |
|-------|-------|-------|------|
| 100 | 100 | 100 | 100 |
| 100 | 100 | 100 | 100 |

